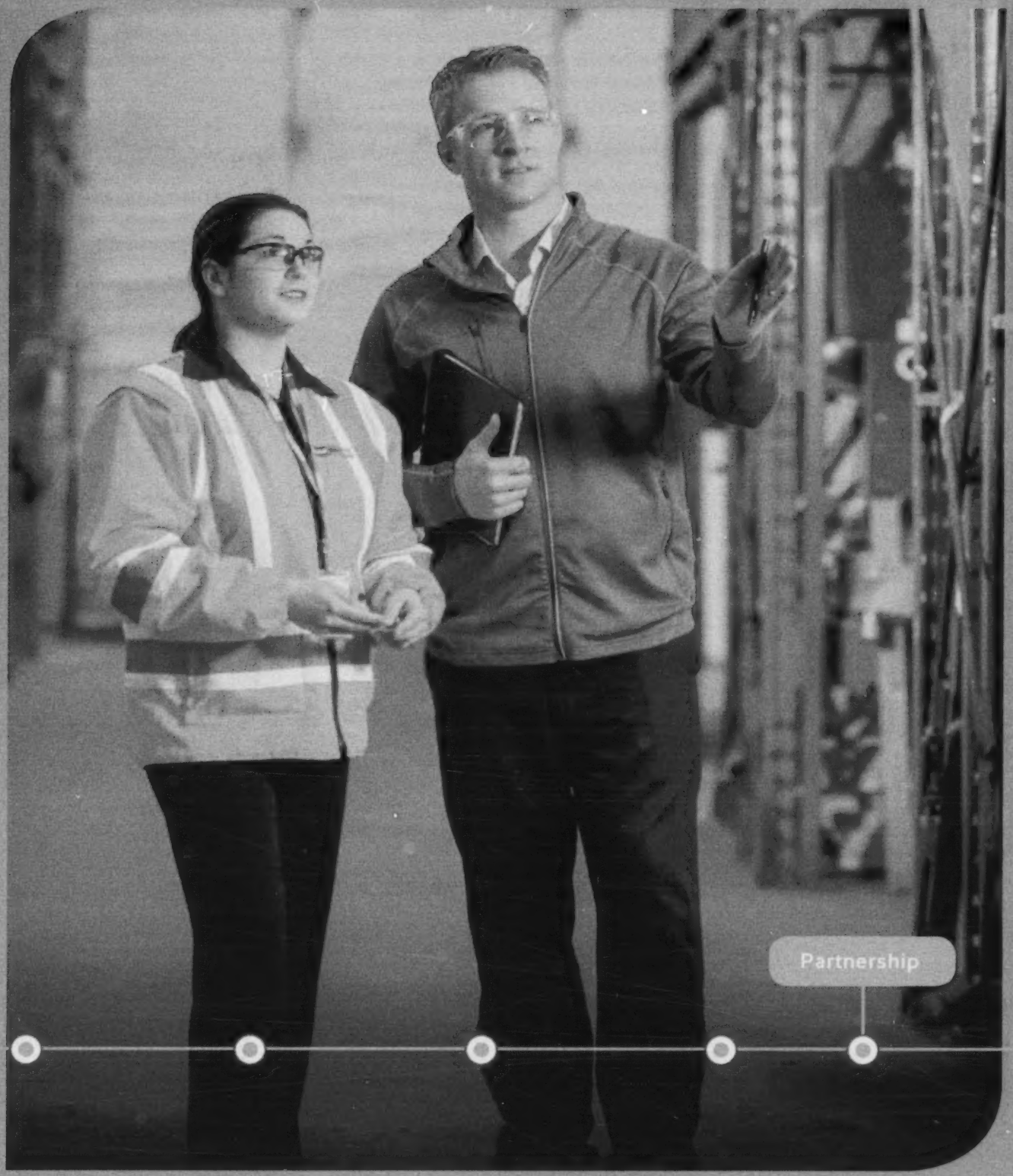


2014 Annual Report and 2015–2017 Service Plan

WorkSafeBC

# Strategic Foundations of WorkSafeBC

WorkSafeBC (the Workers' Compensation Board of British Columbia) is an independent statutory agency governed by a Board of Directors appointed by the provincial government. We provide coverage to 2.22 million workers and more than 221,000 registered employers throughout B.C., and are funded through insurance premiums paid by employers and investment returns. In administering the *Workers Compensation Act*, WorkSafeBC remains separate and distinct from government; however, we are accountable to the public through the provincial government, which is responsible for protecting and maintaining the overall well-being of the workers' compensation system.

## Our vision

British Columbians free from workplace injury, disease, and death

## Our mission

- Champion safe and healthy workplaces
- Save lives and prevent injury and disability
- Deliver outstanding service to workers and employers
- Provide and support excellent medical and rehabilitative care to workers
- Preserve the financial integrity and sustainability of the system
- Learn, lead, and share

## Priorities of the Board of Directors

- Eliminate serious injury and death in the workplace
- Improve return-to-work outcomes and prevent avoidable disability
- Maintain an effectively operating business
- Maintain a system with long-term sustainability that contributes to the societal benefits envisaged by the historic compromise
- Respond effectively to changing social and economic realities

## Our goals

(For more information, see page 22)

1. Foster the improvement of occupational health and safety in workplaces and communities
2. a. Improve service to stakeholders — improve return-to-work outcomes, disability prevention, overall customer service, accessibility, and public confidence
   b. Improve service to stakeholders — improve adjudicative decision making throughout the organization, ensuring stakeholders receive their full legal entitlements
3. Maintain the cost-effectiveness and accountability of the services WorkSafeBC delivers
4. Maintain financial security, sustainability, and stability

## Shared values

As an organization and as individuals, we make decisions and take action based on these values:

### Service
Making a difference one human being at a time

### Integrity
Doing the right thing

### Accountability
Open and transparent

### Partnership
Collaborating for success

### Innovation
Challenging complacency

# WorkSafeBC 2014 Annual Report and 2015–2017 Service Plan


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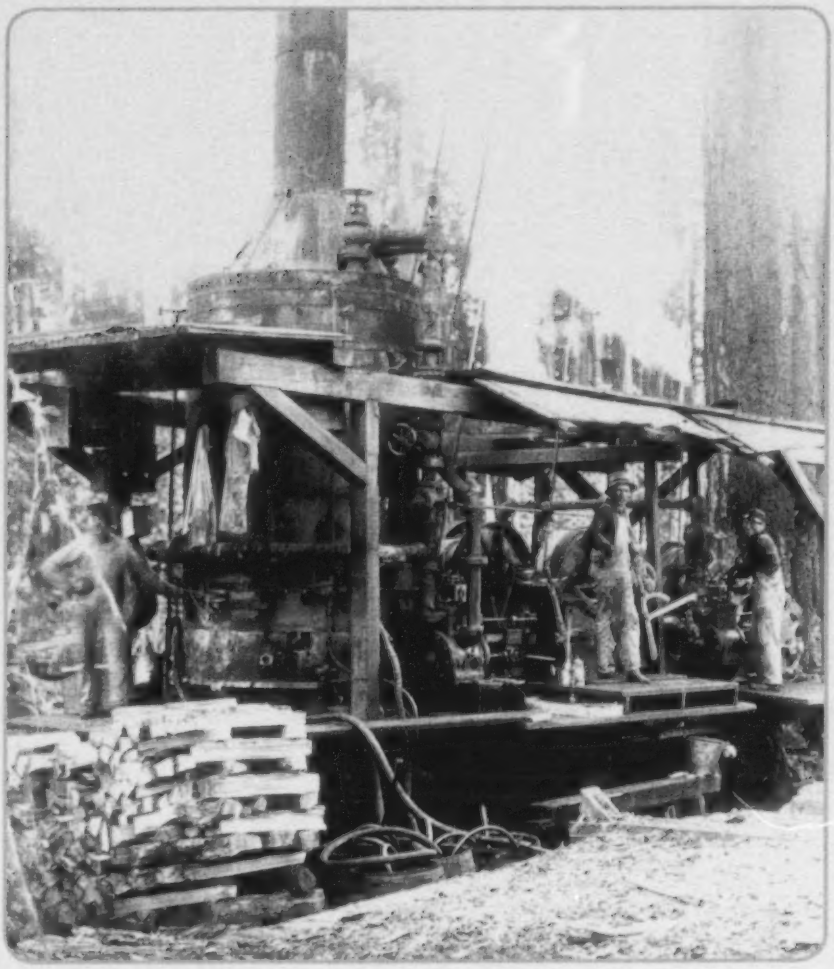
# About WorkSafeBC



In the early 1900s, British Columbia's population was booming alongside its workforce. The province's core industries: forestry, fishing, and mining, lured workers with the promise of steady, well-paying jobs. Yet these same industries were often associated with dangerous working conditions.

Despite the risks, workers and employers received few assurances. When workers were injured on the job, it placed great strain on their families. In turn, employers faced the risk and uncertainty of litigation. Workforces across the province were in need of a fair, non-binding system to compensate for occupational injury and illness.

Since 1917, we have been there to provide financial and other critical support to injured or ill workers and their families, while working toward the elimination of serious injury and death in the workplace.

It is our legislated responsibility to provide workers' compensation and to establish and enforce occupational health and safety standards, but it is also what we stand for: a commitment to making a difference to the people of British Columbia — one worker, one employer, one workplace at a time.

To reflect our dedication toward making a difference, WorkSafeBC strives to:

## Prevent workplace injury and death

Our vision is to keep workers and workplaces safe and secure from injury, disease, and death. In support of this goal, we establish standards and guidelines for occupational health and safety practices; educate and consult with workplace stakeholders; raise public awareness; and build partnerships with industry safety

associations, unions, and other key stakeholders to improve health and safety in B.C.'s workplaces. We also have legislative authority to monitor compliance with occupational health and safety law and regulation; investigate serious incidents; and, in certain cases, levy financial penalties or other sanctions against employers for safety infractions.

## Compensate and rehabilitate injured workers

When work-related injuries and illnesses do occur, WorkSafeBC makes entitlement decisions about compensation benefits. We administer health care and wage-loss benefits, permanent disability benefits, and survivor benefits. We also work with external partners to rehabilitate injured workers and return them to safe, lasting employment.

## Maintain the system's financial viability

WorkSafeBC assesses and collects employer premiums and invests those funds to cover current and future costs of compensation benefits, as well as the costs of administering the workers' compensation system. We are committed to sound financial management; we have programs and strategies in place to manage costs and investment returns with a goal of maintaining the long-term financial sustainability of the system.

Committed to making a difference to the people of British Columbia.

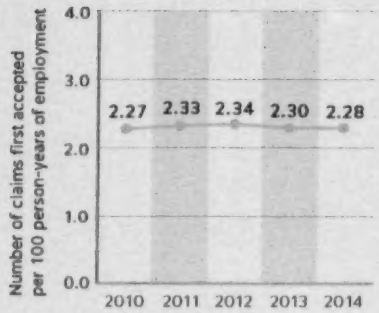
## Ensure ethics and integrity are paramount

Within WorkSafeBC, ethics and integrity govern our daily work. Internally, we use various means to maintain checks and balances and strive for fairness in everything we do. As the first level of appeal, our Review Division provides a simplified and flexible process for obtaining review of specific decisions.

Our Fair Practices Office serves as a source of assistance for individuals navigating the workers' compensation system. And, as WorkSafeBC handles confidential information, we have an office dedicated to ensuring we meet our obligations under the *Freedom of Information and Protection of Privacy Act*. We also have an Internal Audit department that supports the Board of Directors, Audit Committee, and senior management by providing independent and objective assurances. Our Board of Directors includes broad and balanced representation from B.C.'s worker, employer, and health care and rehabilitation communities.

# Operational Highlights

## Provincial injury rate




A reduction of the provincial injury rate[1] of just 1 percent results in approximately 500 fewer injured workers. See page 24.

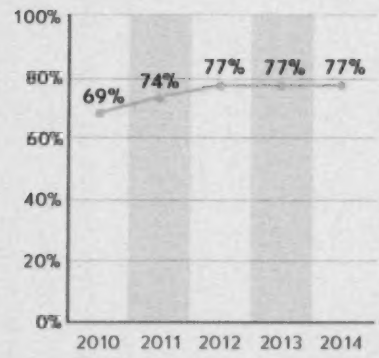
## Top five incident types

| | 2013 | 2014 |
|---|---|---|
| Overexertion, bodily motion | 42.7% | 41.6% |
| Struck by | 14.4% | 14.9% |
| Fall on same level | 11.4% | 11.9% |
| Fall from a height | 8.6% | 8.3% |
| Struck against | 6.4% | 6.3% |

## Premium rates

Premium rates were discounted in order to return an accumulated surplus and capped to minimize cost volatility to employers. The surplus is mainly from excess investment earnings and favourable cost experience. See page 52.

## Service to injured workers

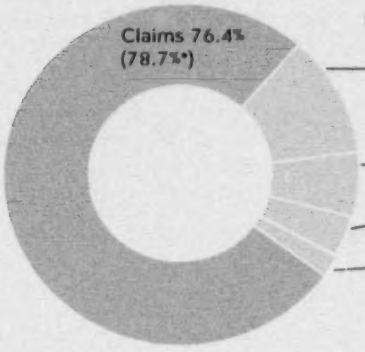



WorkSafeBC continues to receive strong customer satisfaction survey results from injured workers. See page 32.

> "The WorkSafeBC staff person I'm dealing with is wonderful and caring; and has been doing all they can to get me back to work."
>
> — Surveyed injured worker, Warehouse clerk, Injured September 2014

## Allocation of 2014 expenses (2013)

More than three-quarters of our expenses are made up of claim costs, including compensation payments to injured workers and/or their families, health care costs, and rehabilitation costs. Remaining costs are general operating costs to administer the *Workers Compensation Act*.




General operating costs include:

- Customer services and infrastructure 11.6% (10.5%)
- Other 6.1% (5.5%*)
- Prevention 3.8% (3.4%)
- Workers' Compensation Appeal Tribunal, Workers' Advisers, Employers' Advisers 2.1% (1.9%)

## Key financial comparatives ($ millions)

| | 2014 | 2013 |
|---|---|---|
| Premium income | 1,343 | 1,240* |
| Investment income | 1,458 | 1,547 |
| Other income | 10 | 4 |
| Claim costs** | 1,778 | 1,951 |
| Operating costs** | 226 | 218* |
| Surplus from operations | 807 | 622 |
| Actuarial gains (losses) on employee benefit plans | (144) | 206 |
| Total comprehensive income | 663 | 828 |
| Total assets | 15,384 | 14,472 |
| Total liabilities | 11,863 | 11,615 |
| Unappropriated balance | 1,348 | 1,388 |
| Reserves | 2,399 | 1,552 |
| Accumulated other comprehensive income (loss) | (226) | (83) |
| Return on investment | 10.6% | 12.4% |

* These amounts have been restated from those published in the *2013 Annual Report and 2014—2016 Service Plan* to reclassify assessment bad debts (previously netted against premium income) to operating costs, conforming with the standard accounting disclosure requirement.

** Claim administration costs are reported as part of claim costs.
Claim administration costs: 2014 — $246 million; 2013 — $244 million.

# Messages from the Chair and President

George Morfitt,
Chair, Board of Directors

Diana Miles,
President and Chief Executive Officer

# From the Chair, Board of Directors

This past year was dynamic and in many ways transformational for WorkSafeBC. Our Board of Directors dealt with many different factors which contributed to bringing about change in our organization.

Our president and chief executive officer (CEO), David Anderson, retired after serving 10 years in the role. He was one of the longest-serving presidents in WorkSafeBC's history. On December 1, 2014, after an intensive search, we appointed Diana Miles as the new president and CEO. Diana possesses valued experience and knowledge of our organization, and we look forward to working closely with her in ensuring WorkSafeBC remains one of Canada's leading compensation boards.

The year also saw the conclusion of the terms of four long-serving and knowledgeable board members: Joe Lindgren, employer representative; Phillip Legg, worker representative; Rick Roger, public interest representative; and Henry Harder, health care and rehabilitation representative. Each served his maximum allowable term, as defined by the *Workers Compensation Act*. In January 2015, four new, well-regarded and experienced individuals joined our board: Lynn Bueckert, worker representative; Lillian White, employer representative; John Beckett, public interest representative; and Margaret McNeil, health care and rehabilitation representative. Each brings expertise in their respective areas that will contribute to the strength of our organization.

In April 2014, the board appointed Gordon Macatee as administrator with a defined mandate to conduct a review and oversee several priority areas of our business, including:

- Ensuring future WorkSafeBC investigations are handled correctly, and recommendations from the February 2014 *Babine Explosion Investigation: Fact Pattern and Recommendations* report are successfully implemented;
- Ensuring British Columbia's sawmills are safe workplaces;
- Reviewing workers' compensation boards in other jurisdictions to understand the merits of and determine best practices in organizational structures, specifically as related to the separation of enforcement and regulation; and,
- Develop a plan for implementing a world-class inspection and investigation regime incorporating best practices, a workforce review, and enhanced staff training.

The board accepted the *WorkSafeBC Review and Action Plan* submitted by Mr. Macatee and is pleased with the considerable progress already made in implementing the action plan.

Sincerely,

**George Morfitt**
Chair, Board of Directors
WorkSafeBC

# From the President and Chief Executive Officer

Our vision is a province free from workplace injury, disease, and death. We support that vision by working in partnership with our stakeholders to create safe and healthy workplaces. As we reflect on 2014, it was a year of many successes and challenges — as well as significant change.

In December 2014, I accepted the position of President and CEO. I am honoured to lead this organization and look forward to fulfilling our mandate as we serve the workers and employers of British Columbia.

As one of our leading key performance indicators, the 2014 provincial injury rate remained stable — at 2.28. Through dedicated efforts of all stakeholders including employers, workers, unions, industry associations, and WorkSafeBC, we continue to see an injury rate that is among the lowest in our history.

Following the catastrophic mill explosions of 2012, we have focused our occupational health and safety efforts on dust mitigation and control programs, and increased our enforcement levels accordingly. The progress since then, in achieving compliance in mills both large and small throughout the province, was particularly evident in 2014.

In 2014, we also worked closely with administrator Gordon Macatee as he reviewed policy, practice, and structure in investigations and occupational health and safety enforcement. In his report, the *WorkSafeBC Review and Action Plan*, 43 recommendations were made. We committed to implementing those recommendations specifically directed to WorkSafeBC and I am pleased to report we have made significant progress. Reports on our progress can be found on our website.

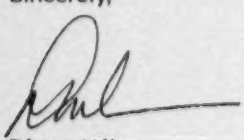
We have continued to expand services that facilitate early, safe, and durable return-to-work outcomes. In addition, in 2014 we focused on enhancements in service for those workers most seriously injured and those with psychological injuries. The efforts our staff have made toward improving service to both workers and employers has resulted in service ratings that continue to be near an all-time high.

Financially, we had another strong year in 2014. Higher-than-required investment returns along with reduced claim costs improved our funding position over the previous year, positioning the organization well as we move into 2015.

Throughout the changes in 2014, our staff across the organization remained focused on service and on achieving our strategic goals. As I look to what has been accomplished, I continue to be impressed with the dedication and hard work of our staff, and thank them for their exceptional efforts during the past year.

In 2015 we will continue pursuing our strategies to create safe and healthy workplaces, engage with our stakeholders, and provide outstanding service to workers and employers.

Sincerely,



**Diana Miles**

President and Chief Executive Officer

WorkSafeBC

# Governance — WorkSafeBC Board of Directors

**Rick Roger**

Vice-chair and public interest representative
BA, MSHA

Appointed January 2009

Former CEO of the Vancouver Island Health Authority and the Vancouver/Richmond Health Board; British Columbia Institute of Technology (BCIT) board member

**Joe Lindgren**

Employer representative
BA (Hons), C.Dir

Appointed January 2009

Small business owner; president of Lincor Enterprises Ltd.; trustee of the Construction Industry's Benefit Plan; director of the Vancouver Resource Society

**Henry Harder***

Health care and rehabilitation representative
BEd, MA, EdD

Appointed April 2008

Registered psychologist; professor and chair of health sciences at the University of Northern British Columbia

**Phillip Legg**

Worker representative
BA, C.Dir

Appointed January 2009

Director of policy and communications for the Federation of Post-Secondary Educators of BC; Community Savings Credit Union board member

**Tazeem Nathoo**

Public interest representative
ICD.D

Appointed November 2010

Executive coach and senior consultant with Western Management Consultants; Citizens Bank of Canada board member; BCAA board member

**Alan Cooke**

Actuary
FCIA, FSA

Appointed December 2012

Former principal at Mercer; trustee of the Healthcare Benefit Trust; director of the Canadian Institute of Actuaries; former chair of the International Section of the Society of Actuaries

**George Morfitt**

Chair
CPA, FCA

Appointed Chair May 2010

(Director since 2006)

Fellow of the BC Institute of Chartered Accountants; former Auditor General of British Columbia

**Diana Miles**

President and
Chief Executive Officer
BA, CHRP

*Ex officio* member

Former WorkSafeBC senior vice president, Worker and Employer Services; senior management positions in the private sector; governor of the Canadian Centre for Occupational Health and Safety

* Term ended April 16, 2014. A new health care and rehabilitation representative was appointed in January 2015.

## Duties

According to the *Workers Compensation Act* (the Act), the Board of Directors must:

- Set and revise, as necessary, the policies of the Board of Directors, including policies respecting compensation, assessment, rehabilitation, and occupational health and safety
- Set and supervise the direction of WorkSafeBC
- Select the president of WorkSafeBC and determine the president's functions
- Approve the operating and capital budgets of WorkSafeBC
- Establish policies and accounting systems to ensure adequate funding of the Accident Fund[2]
- Approve major programs and expenditures of WorkSafeBC
- Approve the investment of WorkSafeBC funds in accordance with the requirements imposed under the Act
- Plan for the future of WorkSafeBC
- Enact bylaws and pass resolutions for the conduct of WorkSafeBC's business and the functions of the Board of Directors, including enacting bylaws regarding the manner in which the policies of the Board of Directors are to be published
- Each year, provide the Minister Responsible for Labour with a service plan that addresses the three-year period starting on January 1 of that year and achieves the following:[3]
  - Sets out WorkSafeBC's priorities
  - Identifies specific objectives and performance measures for WorkSafeBC
  - Provides a fiscal forecast for WorkSafeBC, including a statement of all material assumptions and policy decisions underlying the forecast
  - Compares actual results with the expected results identified in the previous year's service plan
  - Presents other information WorkSafeBC considers appropriate

## Priorities of the Board of Directors[4]

- Eliminate serious injury and death in the workplace
- Improve return-to-work outcomes and prevent avoidable disability
- Maintain an effectively operating business
- Maintain a system with long-term sustainability that contributes to the societal benefits envisaged by the historic compromise
- Respond effectively to changing social and economic realities

## Major accomplishments

In 2014, major accomplishments of the WorkSafeBC Board of Directors included:

- Approving a comprehensive revision of the Permanent Disability Evaluation Schedule (PDES), used in calculating permanent partial disability awards granted for loss of function. Revisions ensure the PDES remains current and effective
- Revising presumptions regarding occupational skin cancer to reflect current scientific evidence
- Approving a comprehensive work plan for compensation, assessment, and occupational health and safety issues through 2016
- Increasing required personal optional protection coverage for self-employed individuals, including partners or proprietors with no workers, to a minimum of $1,800 per month
- Appointing administrator Gordon Macatee
- Approving three new policies to help mitigate and control combustible wood dust
- Approving several amendments to the Occupational Health and Safety (OHS) Regulation, including new provisions to:
  - Address work in areas posing an avalanche risk
  - Certify modified gang forms used for construction
  - Improve billboards on logging trucks to help prevent injuries
  - Clarify the obligations of those performing asbestos abatement work

- Introduce a new part of the regulation to address dedicated rope access[5]

- Approving a new high-risk policy identifying and designating six high-risk circumstances, and criteria to determine whether a particular violation or circumstance qualifies as high risk
- Approving funding for violence prevention initiatives in health care through the acute care rate group

## Committees

In 2014, the Board of Directors held eight meetings. Board committees met as follows:

- Audit Committee — seven times
- Human Resources and Compensation Committee — four times
- Policy, Regulation, and Governance Committee — six times

## Decisions

The Board of Directors makes decisions on policy and regulation affecting the workers and employers of British Columbia. The board's decisions can affect the premium rates employers pay and the level of benefits workers receive. As part of its commitment to remaining open and accountable to its stakeholders and the general public, WorkSafeBC posts decisions and formal resolutions at www.worksafebc.com/regulation_and_policy/policy_decision/board_decisions/default.asp.

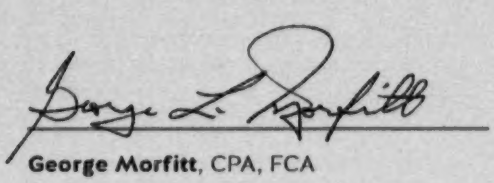
# Accountability

This *2014 Annual Report and 2015–2017 Service Plan* was prepared under our direction in accordance with the *Workers Compensation Act*. WorkSafeBC is accountable for the results achieved, selecting the performance indicators, and how our performance has been reported.

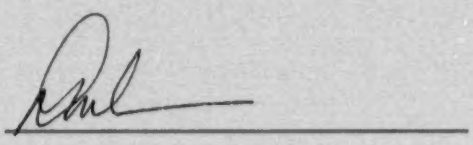
The information contained in this document reflects WorkSafeBC's actual performance for the 12 months beginning January 1, 2014 and ending December 31, 2014. All material fiscal assumptions and policy decisions up to April 22, 2015 have been considered in developing this publication.

This annual report and service plan presents a comprehensive picture of our actual performance against targets set in the *2013 Annual Report and 2014–2016 Service Plan*. It also includes estimates and significant interpretive information representing the best judgment of WorkSafeBC management. The indicators reported are consistent with the organization's mission, goals, and objectives, and focus on aspects critical to understanding WorkSafeBC's performance. We are responsible for ensuring WorkSafeBC's performance information is measured accurately and in a timely manner. Any significant limitations in performance data reliability have been identified and explained. This report and service plan has been prepared in accordance with the BC Reporting Principles (see page 18) and is intended for a general audience. More detailed information about WorkSafeBC is available at worksafebc.com.

On behalf of the Board of Directors and management of WorkSafeBC,



**George Morfitt**, CPA, FCA
Chair, Board of Directors
WorkSafeBC



**Diana Miles**, BA, CHRP
President and Chief Executive Officer
WorkSafeBC

# Financial Context

The financial information contained in this annual report and service plan conforms to the audited consolidated financial statements, with the exception of the additional financial information, where specifically noted, based on the smoothed accounting[6] approach.

In accordance with International Financial Reporting Standards (IFRS), our consolidated financial statements reflect the market value of investments and fair value of post-employment employee benefit plan assets and liabilities at the end of the reporting year (fair value accounting). They provide a snapshot or point-in-time reading of financial assets and liabilities. Short- and long-term financial market fluctuations are reflected in the financial results.

Since WorkSafeBC's investments are intended to yield returns over the long term, any short-term gains in asset value do not necessarily mean funds are available to lower employer premium rates or suggest there is capacity for government to legislate an increase to worker benefits. Similarly, short-term losses should not necessarily signal the need to increase premium rates or for government to consider introducing legislation to reduce worker benefits.

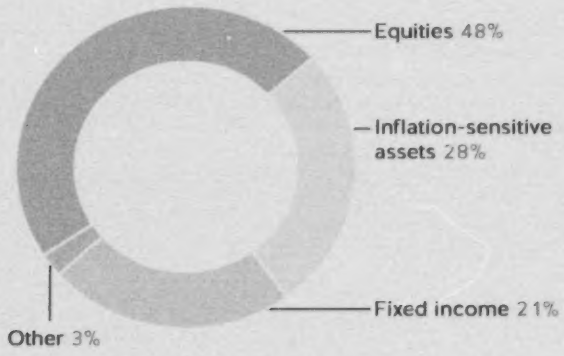
To avoid rate fluctuations generated by financial market volatility, WorkSafeBC sets premium rates using smoothed accounting. Smoothed accounting amortizes investment income and actuarial gains or losses, relating to WorkSafeBC's employee benefit plan assets and liabilities, over a five-year period. The effect of capital market volatility on financial results is moderated under smoothed accounting. This approach takes into account the unique business requirements of Canadian workers' compensation systems, including the need for pricing stability (for employer premium rates) and benefit sustainability (for injured workers and their dependants).

A 10-year summary table (unaudited), prepared based on the smoothed accounting approach, is available at www.worksafebc.com/publications/reports/annual_reports.

## Prudent investment promotes sustainability

To ensure the long-term financial sustainability of the workers' compensation system in British Columbia, the *Workers Compensation Act* stipulates that present and anticipated future costs arising from an injury in a given year should be collected through assessments on employers whose accounts are active in that year. WorkSafeBC also seeks to promote the sustainability of the workers' compensation system through prudent investment of the Accident Fund.[7] The primary determinant of the Accident Fund's risk and expected return is the asset mix of its investment portfolio; this is determined by our Board of Directors with the advice of an Investment Committee that includes five independent external investment experts, WorkSafeBC's president and chief executive officer, chief financial officer, and the Audit Committee chair. The Investment Committee's long-term objective is to earn a real rate of return (the rate of return over inflation) of 3.5 percent, slightly higher than the 3.0 percent discount rate used to determine the fund's actuarial liability.

The Board of Directors regularly reviews and updates a statement of investment policies and goals for the investment portfolio. Among other objectives, this document sets out an asset allocation policy to guide investment strategies. Currently, 21 percent of the Accident Fund's investment portfolio is targeted to fixed-income investments such as bonds and mortgages (with a permissible range of 20 to 35 percent). Another 48 percent is allocated to Canadian and international public and private equities (with a permissible range of 35 to 50 percent). A further 28 percent is allocated to inflation-sensitive investments such as inflation-linked bonds, real estate, and infrastructure assets (with a permissible range of 20 to 40 percent). The asset allocation policy also permits investment in other asset classes (with a permissible range of 0 to 5 percent); the final 3 percent is allocated to this category.




The investment portfolio is diversified, with a long-term objective to earn a return sufficient to cover liabilities for current and past year claims.

## Funding policy offers protection

We have a Capital Adequacy Reserve to address the organization's long-term capital requirements. It offers greater security for worker benefits and reduces premium rate volatility by strengthening the organization's ability to withstand economic and demographic uncertainties (see Note 11 of the consolidated financial statements, page 111).

WorkSafeBC's financial strength can be assessed using two main indicators. The primary indicator is the ratio of total assets to a specific target asset level as defined in key performance indicator (KPI) #8, page 37. This indicator, unique among Canadian compensation boards, tracks the organization's ability to withstand the impact of large financial shocks, such as the stock market losses of 2008 and 2011. At the end of 2014, this indicator was at 97 percent of the target asset level. The long-term goal is to build this indicator to 100 percent. The second indicator determines the funding level, or ratio of assets to liabilities, an indicator of financial strength used by other workers' compensation boards in Canada (see Appendix A, page 124). At the end of 2014, WorkSafeBC's funding level was 130 percent.

# Our Performance

## INDEPENDENT AUDITOR'S REPORT

*To the Board of Directors of the Workers' Compensation Board of British Columbia, and*
*To the Minister of Jobs, Tourism and Skills Training and Minister Responsible for Labour,*
*Province of British Columbia*

I have audited the *2014 Annual Report and 2015-2017 Service Plan* (the annual report) of the Workers' Compensation Board of British Columbia (WorkSafeBC) to assess whether performance has been fairly presented in accordance with the BC Reporting Principles for the year ended December 31, 2014. The eight BC Reporting Principles outline the characteristics of good performance reporting, and were endorsed by the Legislative Assembly's Select Standing Committee on Public Accounts in 2003 for use by public sector organizations in British Columbia. This annual report is the responsibility of WorkSafeBC's management. My responsibility is to express an opinion on this annual report based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Accordingly, I planned and performed an audit to obtain reasonable assurance that the BC Reporting Principles have been incorporated in the annual report. My audit included examining, on a test basis, evidence supporting the amounts and disclosures in the annual report and assessing significant estimates underlying reported performance.

I have audited the entire annual report to assess whether it has been prepared in accordance with the BC Reporting Principles. A separate audit, to determine if WorkSafeBC's financial statements have been prepared and reported in accordance with International Financial Reporting Standards, was also conducted. My opinion is provided on page 67.

As called for by the BC Reporting Principles, the annual report contains a number of representations from management concerning the appropriateness of the goals, objectives, and targets established by WorkSafeBC, explanations of the adequacy of planned and actual performance, and expectations for the future. Such representations are the opinions of management and inherently cannot be subject to independent verification. Therefore, my examination was limited to ensuring the report contains those representations called for by the BC Reporting Principles and that they are consistent with the audited performance information and financial statements.

In my opinion, this annual report fairly presents, in all significant respects, the performance of WorkSafeBC for the year ended December 31, 2014, in accordance with the BC Reporting Principles. The following appendix contains details supporting my conclusion for each of the BC Reporting Principles, and is an integral part of my opinion.

Carol Bellringer

*Victoria, British Columbia*
April 24, 2015

Carol Bellringer, CPA, FCA
Auditor General

## Detailed Observations

### Principle 1 – Explain the Public Purpose Served

The report explains WorkSafeBC's public purpose, enabling legislation, and mission. Core business areas, services, clients, and stakeholders are described, as is the role of partners. The report explains WorkSafeBC's governance structure and external accountabilities. The report outlines WorkSafeBC's values that guide its service delivery (guiding principles and premises).

### Principle 2 – Link Goals and Results

The report explains the chain of events from mission to goals, objectives, and strategies through to performance measures. The relevance of these measures is explained in the context of WorkSafeBC's goals and objectives, and in relation to issues of concern to an external audience (the public and legislators). Performance measurement focuses on outcomes in the short and long term, explaining how short-term achievements impact long-term results. Variances between planned and actual results are explained and related to expectations and plans for the future.

### Principle 3 – Focus on the Few, Critical Aspects of Performance

The report states why goals, objectives, and 10 key performance indicators are important to WorkSafeBC and to an external reader. The performance information provides a clear and concise performance story. Key results are clear and apparent.

### Principle 4 – Relate Results to Risk and Capacity

The report summarizes key risks and capacity issues in relation to each key performance indicator, their impact on results, and strategies for dealing with them in the future. Issues related to organization-wide financial, infrastructure and technology risks and capacity are discussed separately.

### Principle 5 – Link Resources, Strategies and Results

Revenue and expense variances are described as part of management's commentary on the financial statements. Costs are related to key business activities and goals. Planned and actual amounts are provided for key revenue and expense items. Critical measures of efficiency are identified — administrative efficiency is the focus of one key performance indicator, and operational financial performance is the focus of another.

### Principle 6 – Provide Comparative Information

Actual performance is clearly reported in relation to the service plan. Current performance is graphically related to historic trends, and related to relevant industry benchmarks. Inconsistencies in trend data are fully explained, and future performance targets are explained in the context of current performance.

### Principle 7 – Present Credible Information, Fairly Interpreted

I am providing an audit level of assurance that the data supporting the 10 key performance indicators is reliable. Systems to compile performance indicator data have been established and documented, although I do not provide assurance on the effectiveness of the control environment. The report is reasonably concise and specialized terminology has been largely avoided. I note, however, that key performance indicator #8, Achieve 100% of Target Asset Level, is inherently complicated and may be difficult for some readers of the report to understand.

### Principle 8 – Disclose the Basis for Key Reporting Judgments

The report provides explanations for how performance indicators are derived and the period to which data relates. WorkSafeBC's Chair and Chief Executive Officer have affirmed their ownership of the report, and their responsibility for ensuring the accuracy and timeliness of performance information. The report explains the importance and relevance of goals and objectives, and it discusses how targets are selected.

# Our Performance

## Measuring our performance

WorkSafeBC uses a set of objectives and associated key performance indicators that allow us to track and benchmark our progress over time. These objectives and performance indicators guide our planning and decision making and, through the annual reporting process, enable us to remain open and accountable to British Columbians. We use a defined series of objectives and performance indicators, identified by our Board of Directors, that help us meet our overall strategic goals (see page 2). In choosing which performance indicators to highlight, the Board considered the following:

- Relevance of each indicator to WorkSafeBC's strategic goals
- Validity of the indicators (do they measure what they are intended to measure?)
- Availability and reliability of data
- Clarity, comprehensiveness, and transparency of the indicators
- Comparability, year-over-year

These 10 key performance indicators, also known as KPIs, reflect our commitment to reporting performance in terms of a balanced scorecard — an analysis of our organization's ability to incorporate financial and non-financial factors in meeting our mandate, vision, and mission. By looking beyond financial indicators, we gain a more complete picture of our overall performance. We then use that information to enhance our business operations.

Throughout the year, we monitor and assess each key performance indicator (along with additional indicators) to track our progress toward targeted goals. Most indicators are updated monthly or quarterly; this allows us to adapt to changes and, when necessary, make corrective policy, program, or operational adjustments to reach targeted goals.[8]

## Changes from the previous year

Though some definitions and calculations have changed over time, eight of the 10 key performance indicators selected for this year's annual report and service plan have been used since 2003.[9] Any substantive calculation changes are noted in the year they were made. WorkSafeBC's Board of Directors may change, discontinue, or introduce a new KPI at any time.

In 2014, our Board of Directors approved two changes to our KPIs:

- The aggregate premium rate is no longer being reported as a KPI. Given the rate is set a fiscal year in advance, WorkSafeBC has decided to discontinue its presentation as a KPI, as it is not indicative of current year performance. However, the aggregate premium rate remains an important financial indicator for WorkSafeBC. Information on the premium rate will instead be provided in the Management Discussion and Analysis section on pages 52–53.
- A change was made in the calculation method for KPI #9, Control Administration Costs, with previously reported results (2010–2013) restated to ensure comparability across all time periods shown. More information regarding this change is provided in KPI #9 Change in measurement, page 40, and Appendix A, pages 124–125.

If an indicator changes after the annual report and service plan has been submitted to the Minister Responsible for Labour, the change is detailed in the following year's report.

## Linking priorities and performance

This reporting year reflects the third operating year in our five-year strategic plan. Approved by WorkSafeBC's Board of Directors in 2011, *Safe Work & Outstanding Service* defines the broad strategies and actions for achieving our objectives while ensuring our efforts and resources align with established goals. The strategic plan also affirms the values and commitments guiding our organization.

Our KPIs measure successes and areas for improvement. The table on page 22 outlines the linkages between and among KPIs to strategic goals in keeping with the *Safe Work & Outstanding Service* plan.

## Annual target-setting

In setting annual targets for each KPI, we consider factors such as historical performance, desired service levels, operational requirements, and resources available for achieving short- and long-term goals. We also look at environmental and other external factors that may affect performance, as well as our potential to manage or control those factors through processes, programs, and initiatives.

In setting our annual targets, WorkSafeBC always strives to improve. In some cases, targets we set for future years may be the same or less favourable than levels achieved the previous year. This can happen when factors that contributed to past performance are no longer expected to continue. For example, we may have achieved favourable results because of a temporary improvement in economic conditions, a new short-term initiative, or one-time allocation of resources. Targets may also be less favourable than previous targets when certain expenditures or activities are expected to affect outcomes. For example, an investment in new technology may increase WorkSafeBC's administrative costs over a certain period. Where appropriate, this type of temporary cost increase is considered in future target-setting.

The following section lists each key performance indicator, factors contributing to performance outcome, and WorkSafeBC's annual targets through 2017. Our reporting is consistent with the Performance Reporting Principles for the British Columbia Public Sector (BC Reporting Principles). In this context, a target is considered to be the forecast of a performance indicator's value in a given year of the service plan. That said, targets are not intended to limit our potential to strive for service improvement or dictate how decision makers should adjudicate individual claims.

## Forward-looking information

This annual report and service plan contains forward-looking information, including assertions regarding WorkSafeBC's anticipated performance. These assertions are subject to risks and uncertainties that may cause actual results to differ from those outlined in the forward-looking information. The Management Discussion and Analysis section includes a discussion of key strategic, financial, and operational risk factors affecting current and future performance.

## Ensuring data reliability

WorkSafeBC stands behind the integrity and reliability of all KPI results published in this report. In an ongoing effort to improve our performance reporting, for the past 12 years we have submitted our annual report to a voluntary annual audit by the Office of the Auditor General of British Columbia. This audit is intended, in part, to verify the accuracy of our results and identify areas for improvement; it is in addition to the normal auditing of financial statements. For more information on the Office of the Auditor General's Report, see pages 18 and 19.

Through ongoing auditing and quality control initiatives, each year WorkSafeBC will continue enhancing the quality, consistency, comparability, and completeness of data we include in our annual reports. The Board of Directors will also continue evaluating performance indicators, making refinements as necessary to ensure each indicator accurately reflects our organizational progress in working toward our strategic goals.

## Comparing results over time

Each KPI cited in this report includes a comparison to past results. While criteria for measuring performance generally remain the same from year to year, to properly interpret results over time the overall operating environment must be considered. For this report, results have been compared from 2010–2014 with targets set for 2015–2017. The exception is KPI #2, introduced in 2011, for which results are only available from the previous three years.

## Comparing results with other jurisdictions

In Canada, all workers' compensation organizations collect data that helps them administer systems and measure performance. However, each jurisdiction typically uses different means to collect and report data due to differing legal requirements, policies, goals, governing structures, and operating procedures. These variations can make it difficult to compare results from one jurisdiction to another or discern national trends. See Appendix A, page 122, for more information.

# Linking Priorities and Performance

**Our 2012–2017 strategic plan reflects refinements to previous strategic direction as well as updated priorities, goals, and objectives. Targets for the years 2015–2017 align with the strategic plan and may be reviewed in conjunction with the table on the following page.**

## 2012–2017 Strategic plan*

### Board of Directors — Priorities

- Eliminate serious injury and death in the workplace
- Improve return-to-work outcomes and prevent avoidable disability
- Respond effectively to changing social and economic realities
- Maintain a system with long-term sustainability that contributes to the societal benefits in keeping with the historic compromise
- Maintain an effectively operating business

### Goals

**Goal 1:** Foster the improvement of occupational health and safety in workplaces and communities

**Goal 2a:** Improve service to stakeholders — improve return-to-work outcomes, disability prevention, overall customer service, accessibility, and public confidence

**Goal 2b:** Improve service to stakeholders — improve adjudicative decision making throughout the organization, ensuring stakeholders receive their full legal entitlements

**Goal 3:** Maintain the cost-effectiveness and accountability of the services WorkSafeBC delivers

**Goal 4:** Maintain financial security, sustainability, and stability

### Operational objectives

- Preventing serious injury
- Championing return to work and preventing avoidable disability
- Providing outstanding customer service to workers and employers
- Learning, leading, and sharing
- Ensuring the long-term financial stability of the system
- Engaging and supporting the WorkSafeBC team

### Key performance indicators (KPIs)

- Injury rate (number of claims first accepted per 100 person-years of employment) (KPI #1)
- Return to work
  - Improve the timeliness of safe, durable return to work for workers on short-term disability benefits (KPI #2)
  - Improve return-to-work outcomes for workers in vocational rehabilitation (KPI #3)
- Number of days required for WorkSafeBC to send first wage-loss payments to short-term disability claimants from the date of their disablement (KPI #4)
- Workers' survey results: improve injured workers' rating of overall experience (KPI #5)
- Employers' survey results: improve employers' rating of overall experience (KPI #6)
- Public Contribution Index: maintain or enhance a high level of public confidence (KPI #7)
- Proportion of issues leading to decision changes as a result of legal and/or policy errors (Review Division and Workers' Compensation Appeal Tribunal (WCAT) levels) (KPI #10)
- Annual administration costs per $100 of assessable payroll (KPI #9)
- Percentage of the target asset level achieved (KPI #8)

* ***Safe Work & Outstanding Service — WorkSafeBC's Strategic Plan 2012–2017*** **(WorkSafeBC, December 7, 2011)** http://www.worksafebc.com/about_us/assets/PDF/StrategicPlan.pdf. **To read the Strategic plan in its entirety visit** worksafebc.com

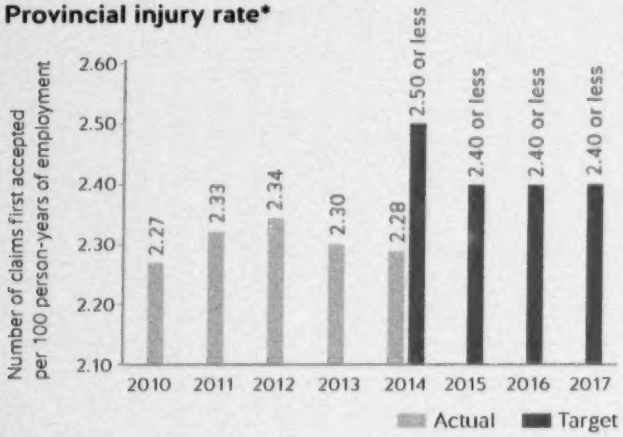
# Performance targets and results at a glance

| Key performance indicator[10] | | 2014 target | 2014 result | 2015 target | 2016 target | 2017 target |
|---|---|---|---|---|---|---|
| 1. Reduce the provincial injury rate (number of claims first accepted per 100 person-years of employment) | | 2.50 or less | 2.28 | 2.40 or less | 2.40 or less | 2.40 or less |
| 2. Improve return-to-work outcomes (percentage of workers returning to work within 26 weeks from injury date) | | 81.0% | 81.5% | 81.0% | 81.0% | 81.0% |
| 3. Improve return-to-work outcomes for workers in vocational rehabilitation (percentage of vocational rehabilitation clients who successfully return to work) | | 76.0% | 76.1% | 76.0% | 76.0% | 77.0% |
| 4. Improve timeliness of initial short-term disability payments (number of days from disablement date to first payment) | | 18.0 days | 18.4 days | 18.0 days | 17.5 days | 17.0 days |
| 5. Improve injured workers' rating of overall experience (percentage who rate overall experience as good or very good) | | 77% good or very good | 77% good or very good | 77% good or very good | 77% good or very good | 77% good or very good |
| 6. Improve employers' rating of overall experience (percentage who rate overall experience as good or very good) | | 81% good or very good | 82% good or very good | 81% good or very good | 81% good or very good | 81% good or very good |
| 7. Raise public confidence (percentage who rate WorkSafeBC's public contribution as somewhat or very positive) | | 90% | 91% | 90% | 90% | 90% |
| 8. Achieve 100 percent of the target asset level (actual asset value as a percentage of target asset level) | | 92% | 97% | 93% | 91% | 89% |
| 9. Control administration costs (administration costs per $100 of assessable employer payroll) | | $0.51 | $0.49 | $0.52 | $0.50 | $0.48 |
| 10. Improve decision making throughout WorkSafeBC, ensuring consistency with legislation and policy (proportion of claim issues leading to overturned decisions due to error in application of law and/or policy) | Review Division | 2.0% or less | 0.6% | 2.0% or less | 2.0% or less | 2.0% or less |
| | WCAT | 2.5% or less | 0.9% | 2.5% or less | 2.5% or less | 2.5% or less |

# Performance Targets and Results

## Key performance indicator #1: Reduce the provincial injury rate[11]

**Provincial injury rate***




* Provincial injury rate estimates for 2014 are preliminary and subject to change. As the injury rate is finalized in July each year, prior-year results are restated to reflect finalized numbers.

## Importance

At WorkSafeBC, our top priority is preventing work-related injury, disease, and death for British Columbians. We gauge our progress by measuring the provincial injury rate — the number of claims first accepted by WorkSafeBC per 100 person-years of employment.[12] The lower the provincial injury rate, the lower the human cost paid through work-related injuries and deaths.[13]

## Setting targets

The provincial injury rate is a composite figure representing injuries in all sectors and is affected by various factors including changes in economic activity, industry practices, industry mix, and injury risk in each sector. To set our targets, we examine current injury rates by sector and estimate the impact that programs, initiatives, and changes will have on the rate in the coming year.

Since reaching an historic low of 2.27 in 2010, we have closely monitored the provincial injury rate trend to determine the new baseline. In 2014, the target was reduced to 2.50 to reflect the downward trend. For 2015–2017, targets have been further reduced to 2.40. Though the threshold is higher than the 2014 result, maintaining this level requires focused effort and attention as many external factors can create upward pressure on the injury rate.

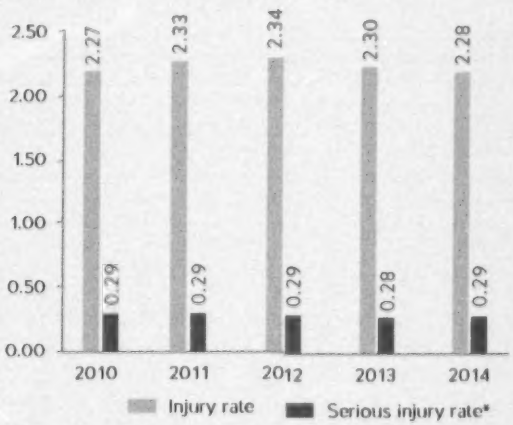
## Serious injury rate

Given the life-changing consequences to workers and their families when serious injuries and work-related deaths occur, we identify serious injuries and dedicate focused effort to address prevention of these injuries. To monitor the success of our prevention strategies, WorkSafeBC measures and tracks the most serious injuries. A subset of the provincial injury rate, the serious injury rate[14] only includes those claims with a serious medical diagnosis or potentially serious medical diagnosis with a long recovery period.[15] This measure also includes all deaths identified as work-related.[16] In 2014, this measure was amended to more closely align with the description of serious injuries as life-altering.

Previously, the serious injury rate included injuries with at least 28 days of wage-loss benefits and/or required extensive hospitalization or medical services and/or 275 specified injury and disease types,[17] therefore the categorization was focused more heavily on recovery.

The new measure focuses on the worker's diagnosis and includes a larger listing of specified injury and disease types[18] for serious or potentially serious medical diagnosis with a long recovery period.

**Injury rate vs. serious injury rate**




* Serious injury rate December 2014 data.

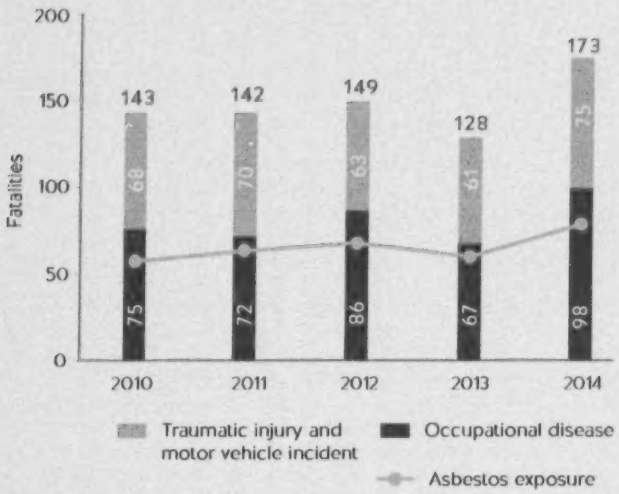
## Performance highlights

In recent years, the provincial injury rate has remained stable, ranging from 2.27 to 2.34 during the last five years. In 2014, the injury rate was 2.28 — below the threshold of 2.50. Between 2013 and 2014, the number of injured workers registering claims with us increased by 0.3 percent, less than the 1.0 percent increase in the number of person-years, resulting in the continued stability of the provincial injury rate. We remain vigilant in proactively identifying potential areas of concern to address them promptly.

Unfortunately, the number of fatalities relating to occupational disease remains the single leading cause of work-related deaths[19] in British Columbia. Primarily driven by asbestos-related disease resulting from worker exposure 20 to 50 years earlier, fatalities resulting from this exposure continue. In 2014, asbestos-related disease resulted in 77 deaths, 18 more than in 2013. In total, fatalities as a result of occupational disease accounted for more than half (57 percent) of all work-related deaths.

Sadly, work-related deaths as a result of traumatic injury increased by 11, from 39 in 2013 to 50 in 2014. In reviewing various industries and injury types, no significant pattern or trend from the past several years is discernible. Unfortunately, work-related deaths as a result of traumatic injury can significantly fluctuate from year-to-year due to chance variations.

**Work-related deaths, 2010–2014**




## Major programs and strategies

Given the complex and diverse range of activities across industry sectors, we take a multi-disciplinary and holistic approach to preventing work-related injury, disease, and death. It includes:

**Every 5 days**

**one British Columbian died from work-related exposure to asbestos, in 2014.**

- **Consultation and education** — We work with employers, workers, labour unions, and other partners to improve workplace health and safety for British Columbians.
- **Incentives** — We provide financial incentives for workplace health and safety management systems, return-to-work programs, and demonstrated improvements to safety performance.
- **Compliance and enforcement** — We are mandated to ensure employers comply with the *Workers Compensation Act*, the Occupational Health and Safety (OHS) Regulation, and related policy. Through workplace inspections, we ensure compliance and issue written orders, warning letters, and penalties as necessary.

### High-risk strategy and initiatives

Our high-risk strategy focuses on identified areas with a high risk of injury and applies resources where they would be most effective. In 2014, under the high-risk strategy umbrella, our efforts focused on four primary high-risk industries[20] (construction, health care, forestry, and manufacturing) and four secondary high-risk industries (agriculture, fishing, oil and gas, and transportation).[21] We also identified and targeted specific initiatives in industries with high numbers of serious injuries and/or deaths.

### Combustible dust strategy

Since the two sawmill explosions in 2012, we have remained vigilant and focused in ensuring our combustible dust strategy is implemented and monitored. To evaluate compliance and confirm the existence of effective and sustainable combustible dust programs, we engaged in inspection, education, consultation, and enforcement activities.

In 2014, Phase IV of the Combustible Dust Initiative targeted 85 sawmill locations, three oriented strand board[22] locations, and 12 pressed board manufacturing locations (pellet mills). Major improvements were noted in the sawmill sector; 82 percent of locations that

received compliance orders in Phase III were found in compliance in Phase IV. Pellet mills struggled to achieve compliance; very few could demonstrate sustainable dust control programs, and several were issued stop-work orders. To support pellet mills, meetings and workshops were held with industry associations and representatives.

In response to the new prevention policies on combustible dust requirements for employers, workers, and supervisors, a new series of inspections was undertaken by a core team of 17 prevention officers. Through WorkSafeBC-led inspections, active monitoring, and the review of employer and third-party summary reports at 124 targeted sawmill locations and 10 targeted pellet mills, prevention officers were able to evaluate compliance and ensure wood dust management programs had been implemented.

For more information and implementation updates on the *WorkSafeBC Review and Action Plan*, visit worksafebc.com.

## Asbestos strategy

Asbestos continues to be the single largest cause of workplace death in B.C. In 2014, 36 prevention officers from several regions conducted planned inspections of single-family residential demolition sites; 249 initiating orders were cited. The officers' work also included levying penalties, initiating court injunctions, and ensuring workplace health and safety obligations were met. When all other corrective strategies were exhausted, legal remedies were pursued to prevent worker exposure to asbestos.

## Violence prevention strategy

In 2014, various tools were created to assist employers and workers in preventing violence in health care — one of the sector's leading causes of injury. The Health Care and Social Services subsector represents approximately 17 percent of all B.C.'s time-loss claims but accounts for 58 percent of time-loss claims due to acts of violence or force.

During 2014, we selected and inspected 125 employer locations, issuing 78 violence-related orders. In addition, eight mental health sites were assessed using an audit tool to gauge violence prevention activities and compliance with the violence regulation. Fifteen violence-related orders were issued at these sites. Further follow-up will be conducted in 2015.

Over the past several years, through various outreach initiatives, WorkSafeBC has provided funding to provincial health authorities for violence prevention programs. In November 2014, WorkSafeBC's Board of Directors approved additional funding of $3 million; in return, the health authorities committed to a three-year, $13.5 million plan to support violence prevention in the workplace through best-in-class education and training, and the implementation of a comprehensive, evidence-based Violence Prevention Plan — setting the foundation for sustainable violence prevention across the health care sector. A similar pilot conducted by the health authorities in 2011–2013 and funded by WorkSafeBC demonstrated more than a 30 percent decrease in days lost for violence-related claims compared to sites that did not participate in the pilot.

## Other strategies

In addition to our major strategies, in 2014 we continued committing resources to high-risk areas:

- **Late-night retail** — To assess the compliance of retail operations that opted to implement Violence Prevention Plans, officers conducted site inspections of their late-night retail operations. Twenty-one locations were inspected. Of these, 17 received compliance orders. Based on these results, further follow-up is planned.
- **Marine inspections** — Of industries within WorkSafeBC's jurisdiction, commercial fishing has the second-highest fatality rate per capita. Continuing our focus in this area, in 2014 we completed 449 at-sea and on-dock inspections and issued 352 orders.
- **Workplace bullying and harassment** — WorkSafeBC prevention officers continued evaluating employer compliance through inspections. Officers also provided consultation on specific industry requirements for workplace bullying and harassment policies, aided by a dedicated toolkit published by WorkSafeBC (available at worksafebc.com); this toolkit is helping employers and workers understand their legal duties while preventing and addressing bullying and harassment in the workplace. In 2014, 3,317 bullying and harassment-related action requests were initiated, with 405 orders and 370 order follow-ups written.

## Partnerships for safety and outreach

In 2014, we continued funding and supporting 13 health and safety associations (HSAs) and seven other ongoing health and safety initiatives across all major industries in B.C.

With our industry teams, this continued collaboration on programs and initiatives gives employers, industry-based

HSAs, and other safety partners the opportunity to proactively promote healthy and safe workplaces while extending the reach of WorkSafeBC's resources.

### Examples include:

- **Industry advisors for sawmills** — Through a partnership with the BC Forest Safety Council, we provided dedicated funding to the council so it could offer comprehensive support and expertise to the sawmill industry on combustible dust control and mitigation — at no cost to the industry. Providing this resource afforded all sawmills one-on-one access to highly skilled and knowledgeable experts they may have been unable to access otherwise.
- **Occupational road safety initiative** — An initiative with the Road Safety at Work team resulted in the creation of educational materials, training, stakeholder outreach, and marketing efforts to improve understanding, awareness, and adoption of effective occupational road safety practices.
- **Small Business BC pilot partnership project** — Our partnership with Small Business BC has led to the creation of a dedicated space in its headquarters offering small businesses health and safety materials and tools in several languages. This partnership has also included collaborating on educational topics such as bullying and harassment, ergonomics, and creating a culture of health and safety.

For more on our current prevention strategies and initiatives, visit worksafebc.com.

## Looking ahead

As the injury rate is a composite measure based on injuries occurring across all sectors and greatly affected by issues beyond our control (e.g., short-term economic conditions, changes in industry mix), lowering the injury rate is an ongoing challenge that requires significant and sustained effort to achieve.

In 2015, a stable injury rate will allow us to further focus our resources on preventing serious injuries. We will continue our proactive enforcement initiatives and partnerships with targeted employers and sectors where serious injuries are most likely. Implementation of recommendations outlined in the *WorkSafeBC Review and Action Plan* will also provide new tools that will strengthen health and safety in British Columbia's workplaces — including a health and safety association to support wood products manufacturers in addressing related issues.

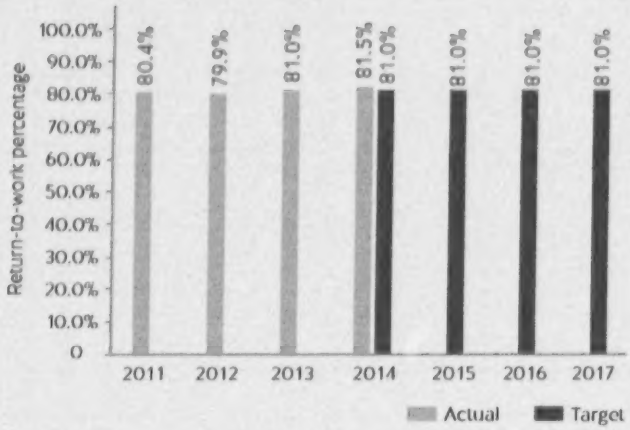
Through our Risk Analysis Unit (RAU), we will proactively identify and mitigate risks before a serious injury or catastrophic incident occurs. The RAU has two projects underway and an additional five planned.

We anticipate these programs and our focused attention will positively impact the number of serious injuries incurred. The target threshold for the injury rate has been set at 2.40 or less over the long term.

To reduce workplace injury, disease, and death, we will continue working with our business and labour partners to support new, young, and other vulnerable workers; address occupational disease risks; increase ownership and accountability for health and safety across all sectors; and support injury prevention, education, and awareness initiatives. To ensure our safety message is reaching the province's diverse workforce, information will be provided to workers in their first language whenever possible.

## Key performance indicator #2: Improve return-to-work outcomes

**Percentage of workers returning to work by 26 weeks***




* In 2011 and 2012, we tracked successful return-to-work by 26 weeks as a percentage of concluded wage-loss claims within the calendar year. In 2013, we refined this metric to track the percentage of concluded wage-loss claims within the calendar year, plus current wage-loss claims open more than 26 weeks.[23]

## Importance

This indicator, the percentage of workers returning to work by 26 weeks,[24] measures the success of our early intervention initiatives — designed to assist workers in returning to employment after a workplace incident or injury. This measure is for short-term disability claims; it usually reflects a return-to-work outcome for the same

job and responsibilities a worker had before his or her workplace incident or injury.

From the date an employee stops working due to injury, we track the number of workers successfully returned to work within 26 weeks.

An important foundation of this particular key performance indicator is that a successful return-to-work outcome is one that is:

- Within 26 weeks
- Voluntary (not under objection)
- Durable (no subsequent claim activity for 30 days)

## Setting targets

To set our targets, we consider the overall economic climate. We also look at the ability of employers and workers to engage in return-to-work initiatives, undertake any workplace modifications, or participate in accommodation programs designed to assist the worker in his/her return to work.

As not all workers will recover or choose to return to work within 26 weeks, a 100 percent success rate is unattainable for this KPI. Thus, our return-to-work targets reflect our best expected outcomes based on an assessment of current initiatives, strategies, and projected employment opportunities (assuming a relatively similar mix of claim referrals from year to year). Based on prior-year results, a forecast for volatility in the unemployment rate, and the potential impact of initiatives and programs, we have maintained targets of 81 percent for 2015 through 2017. This particular KPI target is reviewed and adjusted annually to reflect changes in these economic indicators.

## Performance highlights

In 2014, the annual return to work by 26 weeks outcome was 81.5 percent, an increase of 0.5 percentage points over 2013 and over the 81 percent target.

We believe the outcome is a result of the two-pronged approach of early intervention with a focus on quality, and our concerted efforts to manage older complex cases to assist injured workers in returning to work or transitioning to vocational rehabilitation services. This effort drove the number of claims with a duration of more than 240 days to historic lows.

## Major programs and strategies

In 2014, the following strategies assisted and supported injured workers in early, safe, and durable return to work:

- **Innovative health care treatment programs** — A new Recovery and Return to Work pilot program has focused on early diagnostic clarification followed by a customized treatment plan for injured workers. The program's goal is to meet the worker's medical, functional, physical, and psychosocial needs during rehabilitation while facilitating early, safe, and sustainable return to work, shown to be greatly beneficial to workers and employers. Throughout 2014, this program achieved improved return-to-work outcomes, better coordination of rehabilitation, reduced claim duration, and consistently high worker satisfaction.
- **Engaging municipalities** — Account managers and key performance consultants engaged several municipalities on new approaches to stay-at-work/return-to-work, delivered targeted prevention activities to the health care and education sectors, and worked with larger employers with unique health and safety needs.
- **Innovative return-to-work models** — The Return to Work Services team is staffed by nurses with clinical and return-to-work expertise. They have decision-making authority and responsibilities for claims related to musculoskeletal injuries. In 2014, the team focused on improving customer experience and return-to-work outcomes for workers with these injuries.
- **Enhanced case management** — In 2014, we focused on the best practices for completing initial worker and employer reviews, identifying and mitigating return-to-work risk factors, and proactively managing recovery and return-to-work plans.
- **New physiotherapy contract** — For injured workers, physiotherapy is a critical component in the return-to-work journey. In 2014, WorkSafeBC signed a new contract with physiotherapy clinics across B.C. The updated contract places greater emphasis on return to work by connecting with employers early in treatment to discuss return-to-work options, and provides more robust reporting on treatment and progress of injured workers. This new focus is designed to aid injured workers in their recovery and help them return to work more quickly.

- **New mental health treatment services contract** — The new contract, delivered by registered psychologists and registered clinical counsellors across B.C., was revised in 2014 to align with case management practices. It emphasizes return to work as a fundamental element in the recovery process for injured workers. The new contract also clarifies service expectations and reporting while improving communication between external mental health professionals and case managers, relying on research to guide expected recovery timeframes and aiming to provide better service to injured workers.
- **Best practice interventions for claims with psychological, mental health, and pain issues** — In our experience, some workers with physical injury develop secondary mental health issues. In 2014, a team of technical experts was established to review these complex claims and identify innovative solutions to assist workers with recovery and return to work.

## Looking ahead

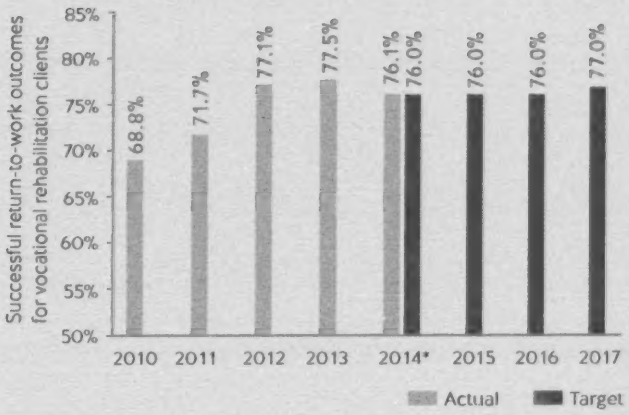
With an unemployment forecast for moderate declines with some volatility, and as several of our key programs and initiatives are relatively new, we will strive to maintain stable results while focusing on assessing and refining these programs. Moreover, by continuing to focus on planning, relationships, and quality service emphasized by the Three Pillars of Case Management,[25] and by focusing on new and effective ways to partner with health care providers, we are anticipating improved return-to-work outcomes over time.

We will continue employing an intervention model that supports injured workers earlier in the claim process. To build on progress made, additional training and enhanced feedback initiatives are planned for our case management teams in 2015.

Overall, we will continue striving to deliver quality and provide excellence across all aspects of customer service.

## Key performance indicator #3: Improve return-to-work outcomes for workers in vocational rehabilitation

**Successful return-to-work outcomes**




* Based on the inverse relationship between the return-to-work outcome and the B.C. unemployment rate, the 2014 target was set at 76 percent using a 2013 forecast of a 6.4 percent unemployment rate. The actual unemployment rate in 2014 was 6.1 percent; the target for 2014 remains at 76 percent. This target is reviewed and adjusted annually to reflect changes in indicators.

## Importance

Vocational rehabilitation (VR) is about returning injured workers to work as quickly, safely, and successfully as possible following a work-related injury. Our VR program supports workers who are able to return to work but due to severe or complex injuries are unable to return to the same job responsibilities they had before being injured.

Each year approximately 3,000 workers, or about 6.5 percent of workers making a claim with us, are referred to our VR program. To measure the effectiveness of our efforts, we track and record the number of successful outcomes for returning workers as a percentage of all return-to-work referrals completed annually by our Vocational Rehabilitation Services department.

## Setting targets

For 2015 and 2016, our target for return-to-work outcomes for workers in VR has been set at 76 percent; for 2017, we are targeting 77 percent. The 2015 and 2016 targets are based on an unemployment rate of 6.2 percent, and will increase to 82 percent should the unemployment rate improve to less than 5.0 percent. Should the unemployment rate worsen, to more than 7.0 percent, the 2015 target will be adjusted to 73 percent.

As workers referred to our vocational rehabilitation program have often suffered complex injuries that may prevent successful return to work, a target of 100 percent is unrealistic. The same is also true as some workers in the VR program opt to retire rather than return to work. As a 100 percent success rate is unlikely for this KPI, our return-to-work targets reflect our best expected outcomes based on an assessment of current initiatives, strategies, and projected employment opportunities.

## Performance highlights

In 2014 we closed more cases and returned more workers to employment than ever before. Vocational rehabilitation consultants (VRCs) assisted 2,806 workers in returning to suitable employment — 169 more than in 2013. Of these, approximately 51 percent of workers returned to work with new employers or became self-employed.

We achieved a return-to-work success rate in 2014 of 76.1 percent. The result is 1.4 percentage points lower than the 2013 equivalent, largely due to an initiative to address a number of older, complex VR files with inherently diminished chances for a successful outcome.

## Major programs and strategies

We work closely with injured workers, employers, health care providers, and others to create return-to-work programs that are customized to the unique needs of each worker. Programs and services may include vocational counselling, return-to-work planning, worker-employer mediation, work assessment, worksite/job modification, job search and placement assistance, and help with training and education.

Whenever possible, we help injured workers in returning to work with their original employer — either in a modified version of the same job or a similar role. If this is not an option, our Employment Development and Placement too! suggests other employment possibilities and helps our VRCs and their clients identify new job opportunities while offering employers incentives to offset the costs of hiring and training employees involved in return-to-work programs.

In 2014, additional resources allowed us to balance our VR caseload while providing stable staffing levels across the province to deliver a high level of service to injured workers.

## Looking ahead

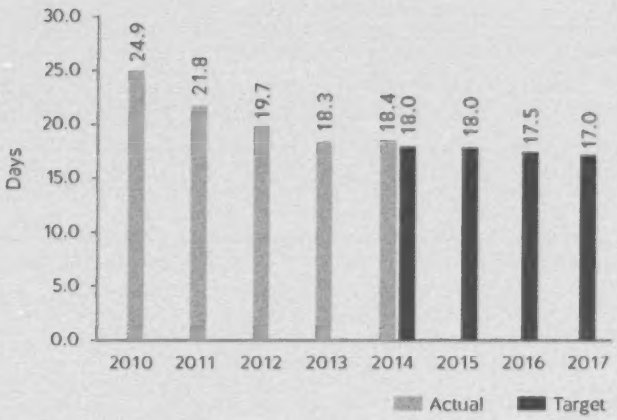
As early intervention has been shown to improve return-to-work outcomes, earlier vocational rehabilitation involvement for workers remains a priority.

In 2015, we will continue identifying administrative efficiencies and streamlining processes to provide VRCs with even better ability to be client-focused and build effective relationships.

Given the significant gains in return-to-work outcomes associated with vocational rehabilitation achieved in the past five years, we are likely to see incremental improvement in outcome. However, we will continue seeking and making improvements where possible. With an outlook for moderate economic growth in 2015 with the potential for employment volatility, we continue to adopt conservative return-to-work targets for the years ahead.

### Key performance indicator #4: Improve timeliness of initial short-term disability payments

**Timeliness of initial short-term disability payments***




* Other factors affecting payment timeliness include time required to fully diagnose and investigate occupational diseases, claims that undergo appeals and adjudication, and unusual circumstances resulting in adjudication delays. As a result, claims with timeliness greater than 365 days have been excluded from this KPI calculation; including these claims would have resulted in timeliness of 21.4 days.

## Importance

For many injured workers in British Columbia, benefits provided by WorkSafeBC — an essential function of our workers' compensation system — sustain them and their families in the period between injury and return to work.

To measure when injured workers receive their first short-term disability payments, we calculate the average interval between the disablement date, defined as the first day an injured worker is entitled to wage-loss benefits, and date of first payment. Our goal is to provide disability payments to injured workers as quickly as possible without compromising the adjudication process. However, external factors can affect payment timeliness. This includes any delays workers, employers, or health providers might take in registering necessary claim information with us.

## Setting targets

Our customer surveys have suggested that more than 80 percent of our clients are satisfied if average timeliness is in the 24- to 25-day range. Despite more rigorous documentation requirements and higher service expectations, timeliness has continually improved; however, we anticipate only small incremental improvements in this measure for future years.

Based on current results and an assessment of initiatives and strategies, the target for payment timeliness for 2015 will remain at 18 days, decreasing to 17.5 days for 2016, and 17 days for 2017.

## Performance highlights

In 2014, timeliness was 18.4 days.[26] While this is 0.4 days higher than the target of 18 days, the 2014 target was a stretch target based on best-ever performance. This result reflects an increase of only 0.1 days when compared to the 2013 result of 18.3 days and is considerably lower than our result of 24.9 days in 2010.

## Major programs and strategies

To improve timeliness of initial adjudication, we have continued promoting increased use of alternate communication and information channels, including Teleclaim for workers and an online portal for employers. We also created a single point of contact for major employers to streamline administrative processes.

To ensure expertise and consistency in adjudication, which drives timeliness and reduces waiting times, we created specialty teams to adjudicate complex claims — such as those pertaining to Activity-related Soft Tissue Disorder, which requires on-site investigation. We also refined our provincial resourcing model to provide consistent staffing and service levels.

Use of a real-time interpretation service, enabling our clients to communicate with WorkSafeBC by phone in their preferred language, continues to increase. Before we implemented a real-time interpretation service, interpretation services for injured workers with limited English would require advance coordination. This process was often inconvenient for the injured worker and would invariably delay the time required for claim processing. Now, using the interpretation service, an injured worker calls us to file a claim and a WorkSafeBC client service representative can immediately connect him/her to an interpreter, likely reducing the time required for information gathering and adjudicative decision making.

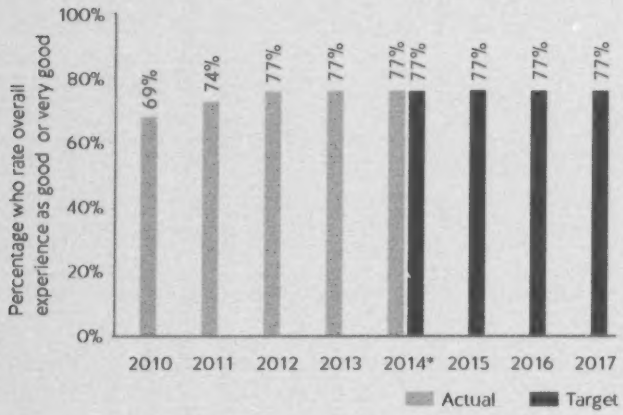
In 2014, the interpretation service received requests in 56 languages, answering 15,724 calls.

## Looking ahead

Though we have made great strides in improving timeliness, we will continue seeking ways to enhance the quality and service provided to British Columbia's workers and employers. By refining customer service, staff engagement, and education and awareness initiatives, our goal is to make further incremental improvements to timeliness results.

## Key performance indicator #5: Improve injured workers' rating of overall experience

**Injured workers' rating of overall experience**




* The margin of error is +/- 4 percent, 95 times out of 100.

## Importance

WorkSafeBC strives to deliver responsive and caring service that meets or exceeds the expectations of injured workers. To measure our performance, the Voice of the Customer program contracts market research provider Ipsos to conduct random surveys of 800 injured workers per year. These surveys gauge injured workers' impressions of our organization and the services our team provides.

For this KPI, the main indicator of success is how injured workers rate their overall experience with us — a measurement covering a five-point scale defined as very good, good, average, poor, and very poor. This KPI is expressed as the percentage of injured workers rating their experience as good or very good.

## Setting targets

There are several factors that directly impact this KPI:

- WorkSafeBC is mandated to provide fair compensation for workplace injury, disease, and death within boundaries set by law and policy. Given the adjudicative nature of our work, it is unlikely all injured workers will agree with every claim-related decision we make.
- Returning injured workers to employment can be more challenging in complex claims, which typically involve many different WorkSafeBC functions and levels of expertise. In such cases, it is unrealistic that all injured workers would rate their overall experience with us as good or very good.

While we remain committed to delivering excellent service, based on recent and past results we set our 2014 target for this KPI at 77 percent.

## Performance highlights

In 2014, 77 percent of injured workers rated their overall experience with WorkSafeBC as good or very good. First achieved in 2012, this result continues to represent the highest score our organization has ever earned from injured workers. There were no statistically significant decreases for any service attributes measured in 2014 compared to 2013.

Looking at the various stages of injured workers' claims, and those workers with disallowed claims, survey results break down as noted in the table below.

In 2014, injured workers in the initial adjudication stage assigned us the highest overall experience score, at 93 percent, compared to 85 percent in 2013. In entitlement, a later stage in the claim process, 84 percent of injured

| Claim stage, by level of complexity | 2010* | 2011* | 2012* | 2013* | 2014* |
|---|---|---|---|---|---|
| Initial adjudication | 82% | 91% | 87% | 85% | 93% |
| Entitlement | 65% | 74% | 79% | 80% | 84% |
| Return-to-work specialist function | N/A | N/A | N/A | 84% | 83% |
| Case management, Vocational rehabilitation | 68% | 73% | 77% | 76% | 75% |
| Disallowed claims | 15% | 30% | 33% | 29% | 38% |

* Injured workers' service scores, based on claim stage. Results represent the percentage of injured workers rating their experience as good or very good.

workers with allowed claims rated their experience with us as good or very good, up from 80 percent in 2013. For the business function handled by return-to-work specialists, which typically follows entitlement, in 2014, 83 percent of injured workers rated their experience as good or very good, down 1 percent from 2013. In case management and vocational rehabilitation, which address the most complex claims, 75 percent of injured workers rated their experience as good or very good, down slightly from the previous year. Finally, 38 percent of injured workers with disallowed claims rated their overall experience as good or very good — up from 29 percent in 2013.

The majority of injured workers rating their overall experience as good or very good said it was because WorkSafeBC was easy to work with, service was efficient, and explanations were clear. Among those rating their experience as average, poor, or very poor, the main reasons cited included poor communication and difficult relationships with various staff members assigned to a claim.

## Major programs and strategies

In 2014, we were able to maintain the high overall score we did in this KPI through various initiatives tailored specifically to the different areas of entitlement, return-to-work services, case management, and vocational rehabilitation.

In entitlement, we continued building on efforts under the Service Promises Initiative; introduced in 2012, it engages staff in identifying best service practices in each business process. For example, in 2014 a working group of entitlement officers developed a nine-point, plain-language checklist; in addition to outlining the claim process and next steps, the checklist emphasizes that understanding is the ultimate goal of any conversation with injured workers in the entitlement phase. This checklist, in turn, was shared with all entitlement officers. Another effort saw the Service Promises Initiative turned into questions, which are grouped, tracked, and reported for service measurement.

### Also in 2014:

- Nine percent of injured workers rated their service experience with us as poor or very poor; see the Looking ahead section for further discussion on targeted improvements in this area.
- We provided further training to build on foundations established over the last two years with the rollout of our Three Pillars of Case Management approach, which focuses on planning, relationships, and quality. In the fourth quarter, all three elements were part of the framework for training aimed at preventing prolonged disability.

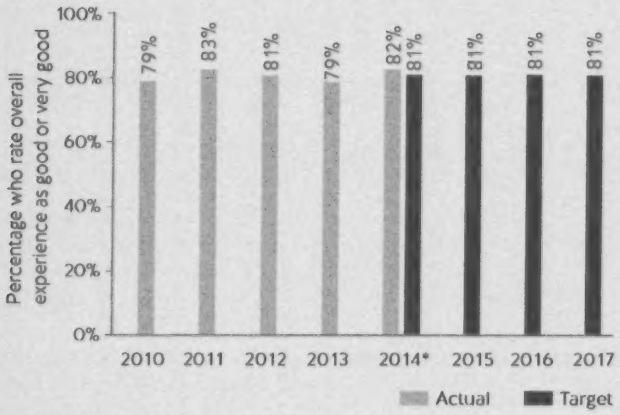
## Looking ahead

The health of the provincial economy is a determining factor in projecting targets across all areas of claim processing and service. If incoming claims rise faster than expected, our return-to-work staff will have less time to address the needs of individual workers. Going forward, we will continue monitoring trends as they develop to ensure our staff, training, and resources are well positioned to meet the service requirements of injured workers.

Overall, taking these and other factors into account, we will aim to maintain our service score of 77 percent of injured workers rating their service from us as good or very good through 2017. As part of this goal, we will aim to improve the lowest service scores, those rating their experience as poor or very poor, by at least 1 percent.

## Key performance indicator #6: Improve employers' rating of overall experience

### Employers' rating of overall experience




* The margin of error is +/- 3 percent, 95 times out of 100.

## Importance

WorkSafeBC is committed to providing excellent customer service to employers through its core functions of prevention, assessment, and compensation. To measure our performance in these areas, as we've done in previous years, we contracted market research provider Ipsos. In 2014, Ipsos surveyed 1,450 employers[27] with two or more claims in the previous 12 months.

Employer ratings of their overall experience with our organization serve as a key success indicator. This KPI correlates directly to employer experiences with the claim process, inspections, and premiums. Employers rate their overall experience with us as very good, good, average, poor, or very poor. We then determine success based on the percentage of respondents citing good or very good ratings.

| Areas of survey | 2010* | 2011* | 2012* | 2013* | 2014* | Percentage points difference from 2013 |
|---|---|---|---|---|---|---|
| Overall experience | 79% | 83% | 81% | 79% | 82% | +3 points |
| Claim-related staff — able to answer your questions | 84% | 83% | 81% | 79% | 82% | +3 points |
| Claim-related decisions — take into account your description of how the injury occurred | 76% | 79% | 74% | 74% | 78% | +4 points |
| Claim-related decisions — explain your options if you disagree with a claim-related decision | 73% | 71% | 67% | 65% | 71% | +6 points |
| Develop return-to-work plans that meet your business needs | 55% | 52% | 64% | 55% | 61% | +6 points |
| Fully involve your company in the return-to-work process | 61% | 64% | 67% | 63% | 67% | +4 points |
| Payroll reporting and billing — easy-to-understand statements and forms | 83% | 83% | 85% | 80% | 84% | +4 points |
| Employer Service Centre — available when you need to reach them | 77% | 71% | 76% | 72% | 76% | +4 points |

*Results represent the percentage of employers rating the service attributes described as good or very good.

## Setting targets

In setting targets, we consider past performance as well as any anticipated operational challenges resulting from current or future economic environments. Such challenges could include changes in business processes, rates, claim volumes, staff availability, or other factors. Taking these considerations into account, and our mandate as a regulatory and adjudicative body, we set our 2014 target at 81 percent of employers who might rate their overall experience with us as good or very good.

## Performance highlights

In 2014, 82 percent of employers rated their overall experience with us as good or very good. In gathering feedback from employers, we recognize that businesses of different sizes have different needs and expectations; consequently, survey results are broken out accordingly so we may better understand employers' experiences.

In 2014, ratings from small employers improved three points from the previous year — to 80 percent good or very good; those from medium-sized employers also rose slightly, to 84 percent (up from 82 percent in 2013); finally, ratings from large employers improved to 83 percent, up from 79 percent in 2013.

The survey process starts with a broad measurement, then looks at specific components of the employer experience. Thus, the first survey question reads: "Taking everything into account, how would you rate the overall experience of working with WorkSafeBC?" Following that aggregate measure, we look at claim-related activities, including overall return to work. We also ask about payroll reporting, workplace inspections, and our assessment-related call centre (the Employer Service Centre).

When comparing results between 2013 and 2014, any increase or decrease must be at least three percentage points (at the 95 percent level of confidence) to be considered statistically significant; while most measures showed directional improvement, specific attribute measurements showed statistically significant upward changes that, collectively, contributed to overall service improvements (see table, page 34).

### Other findings include:

- Staff in our Employer Service Centre earned high marks, with 93 percent of employers citing courteous representatives as good or very good — consistent with the very high rating provided in 2013. Worth noting, the Employer Service Centre staff received higher marks than the rating of WorkSafeBC overall.
- When assessing inspections, 74 percent of survey respondents rated them as good or very good overall, compared to 71 percent in 2013. WorkSafeBC prevention officers were rated higher, as were the attributes associated with their inspections. Overall, WorkSafeBC prevention officers received a rating of 82 percent good or very good.

## Major programs and strategies

In 2014, WorkSafeBC consulted with employers, provided education and support, and maintained partnerships aimed at improving safety, lowering claim duration, and reducing claim costs.

At the program level, we maintained two initiatives: Key Account Performance Consulting and Account Management. Both initiatives, targeting select employers facing safety and cost challenges, connected WorkSafeBC personnel to the right people at the right time; our staff continued building relationships and creating programs tailored to the specific needs of these employers. In sum, both initiatives are aimed at improving the value WorkSafeBC provides to these employer groups.

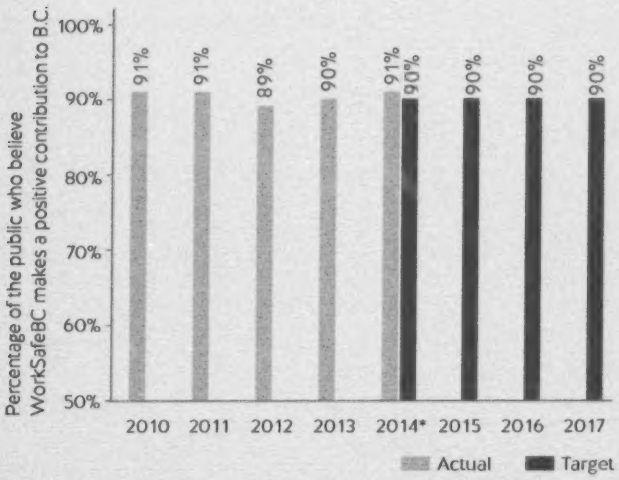
## Looking ahead

In 2015, we will continue working with employers in the area of disability management, to provide early and safe return-to-work programs for injured workers. In addition, we will continue to address the needs of employers who face safety and cost challenges with support from our Key Account Performance Consulting and Account Management programs.

Our 2014 result of 82 percent was a statistically significant improvement from 2013, and the first statistically significant improvement we have achieved in more than five years. With that result, we will be maintaining a prudent target of 81 percent of employers rating their experience with us as good or very good for 2015–2017.

## Key performance indicator #7: Raise public confidence

### Public Contribution Index




* The margin of error is +/- 3.5 percent, 95 times out of 100.

## Importance

Across the province, WorkSafeBC strives to be recognized by stakeholders and the public as a valued partner in shaping a safety culture in the workplace. We rely on the trust and support of the larger community to improve workplace health and safety and return-to-work outcomes for injured workers. As an organization, increased public confidence in us and our work allows us to deliver our health and safety message more effectively while building lasting partnerships with workers, employers, unions, safety associations, and other workplace participants.

To measure public confidence, we contract Ipsos to query approximately 800 British Columbians randomly using a survey called the Public Contribution Index. The survey highlights how respondents view WorkSafeBC and our overall contribution to the province. For this reporting year, approximately 2,400 residents were surveyed in March, June, and September. This key performance indicator (KPI) calculates the percentage of those rating WorkSafeBC's contribution as somewhat or very positive.

## Setting targets

We believe that to be a leader in prevention, rehabilitation, and return-to-work initiatives requires a high level of credibility. This point is worth underscoring, as each slight increase in the Public Contribution Index suggests greater public confidence and trust in our organization.

With a focus on long-term improvement, we set targets based on our most recent results and the effects of external factors. This particular KPI is especially sensitive to high-profile media coverage that may arise at any time. As a regulatory and enforcement agency, it is inevitable that actions or decisions by our organization will occasionally be perceived negatively. Such negative perceptions can and do drive down results for this measure.

Past experience and advice from the survey firm suggest scores of 85 percent and above are rare among public regulatory organizations; however, recent trends indicate a sustained higher-than-target rating. Thus, we have set 90 percent as the threshold target through 2017.

## Performance highlights

In 2014, at 91 percent positive, WorkSafeBC's average public contribution rating remained high — exceeding the year's 90 percent target. Of the 2,417 British Columbians who responded to our three surveys in 2014, 2,200 respondents said WorkSafeBC is making a somewhat or very positive contribution to the province.

## Major programs and strategies

WorkSafeBC's public contribution rating is not associated with a specific group of programs or initiatives. Rather, it measures British Columbians' perceptions of all aspects of our organization. These include: prevention initiatives; claim management and adjudication; worker and employer education; social marketing; return-to-work and rehabilitation programs; customer service; insurance and financial stability; and communications. This said, the rating is a reflection of all our activities, summarizing the degree to which we are viewed — and valued — as contributing to society.

Over many years, WorkSafeBC's extensive public awareness campaigns have likely contributed to our increasingly strong public contribution rating. In 2014, various programs and activities supported our goal of increasing awareness and changing workplace safety behaviours. These included:

- Our participation in 31 Day of Mourning ceremonies across B.C., as well as four parades, reaching more than 1 million people

- Targeted awareness campaigns in our high-risk industries, including a log truck driver initiative that included 20 permanent roadside signs on service roads throughout the province, highway signage, and a multi-faceted outreach drive; a winter driving initiative in partnership with the B.C. Ministry of Transportation and Infrastructure, the Insurance Corporation of British Columbia (ICBC), and the Justice Institute of British Columbia
- Launching the Speak Up for Safety campaign, focused on the construction industry, with signage and educational tools at 22 sites and a radio campaign that reached 3.5 million listeners across B.C. This was a first-of-its-kind initiative for WorkSafeBC, using a mix of traditional media, targeted outreach, advertising, and social media to reach workers and employers in our province.
- Our young workers' speaker program, which reached more than 17,000 people at 407 presentations throughout B.C.
- Multicultural safety campaigns designed specifically to reach Punjabi- and Mandarin-speaking workers
- Our partnership with Preventable — The Community Against Preventable Injuries, including television spots
- Our traffic control person awareness campaign, which reached more than 1 million listeners in B.C.

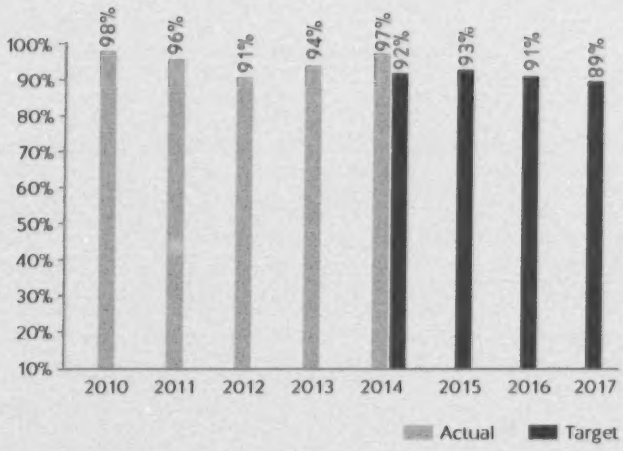
In 2014, other achievements included taking more than a year of research about worker, employer, and other stakeholder perceptions of WorkSafeBC and redesigning the WorkSafeBC experience. We analyzed our promise to British Columbians, our vision, values, and character. We used that information to assess our many touchpoints and began aligning our services and products to ensure a more consistent and positive experience for workers and employers.

## Looking ahead

In 2015, we will continue creating targeted and impactful campaigns to capture the attention of our stakeholders and the public, striving to change workplace safety attitudes and behaviours. By researching and analyzing service experiences of B.C.'s workers and employers, we aim to build greater understanding of their needs so we can continue making service improvements. We will explore new measures to better understand perceptions of our organization so we can continue making a difference in the lives of British Columbians.

## Key performance indicator #8: Achieve 100 percent of the target asset level

**Percentage of target asset level achieved**




## Importance

As an insurer, WorkSafeBC has significant fiduciary responsibilities. This includes ensuring the compensation system remains financially viable. Accordingly, meeting this objective requires targeting an asset (or capital reserve) level that is sufficient to fund all future expected payments for current claims while considering the inherent risks in existing assets and liabilities.

WorkSafeBC invests in a balanced portfolio (see Financial Context, page 15) that includes equity investments expected to generate higher, long-term returns. Higher returns allow lower long-term net employer premiums, but equity investments are subject to greater short-term swings in market value. Similarly, because WorkSafeBC's liability payments are long term in nature, they are subject to potential changes in environmental factors[28] or policies — some of which could result in major cost increases. When either risk occurs, a significant downturn in equity values or significant unanticipated costs, we can draw on capital reserves, thereby limiting premium rate increases for employers.

Strong capital reserves serve the interests of employers by dampening the rate volatility that would otherwise arise from fluctuating returns on investments and/or unforeseen costs beyond those assumed in the liabilities.

### Calculation method

WorkSafeBC determines its funding adequacy by measuring actual assets on hand against a target asset level:

**Actual Assets ÷ Target Assets**

This is a variation of the method other Canadian workers' compensation boards use to measure funding adequacy, given that other organizations use only their liabilities as a denominator[29] (see Appendix A, page 124).

## Setting targets

The long-term goal for this performance indicator is 100 percent of the target assets. We work toward this level by setting aside funds in the Capital Adequacy Reserve (CAR)[30] in financially good years. At this long-term funding level, we will have a sufficient capital reserve to withstand the risks inherent in the assets and liabilities (see Note 19 of the consolidated financial statements, page 116).

Each year, WorkSafeBC develops targets for the following three years by projecting likely financial results, considering factors such as expected investment returns and inflation, injury rate and claim duration trends, and the likely outcomes of current strategies. For the next three years, targets have been set at 93 percent (2015), 91 percent (2016), and 89 percent (2017).

Targets of 92 percent for 2015 and 2016 published in the *2013 Annual Report and 2014–2016 Service Plan* are not comparable to the figures shown above as the calculation in last year's annual report was based on 2013 methodology of the Office of the Superintendent of Financial Institutions (OSFI). Effective January 1, 2015, OSFI methodology (minimum capital factors) has changed. The result is a net increase in required capital of about $1 billion, to be phased in uniformly over the next three years starting in 2015. These changes have no impact on 2014 but have been incorporated into current targets for 2015, 2016, and 2017. Without this change in methodology, targets for 2015 through 2017 would have been set at 96 percent for each of the three years.

While 100 percent is the long-term goal, values in any given year may rise above or fall below this level — particularly as equity markets rise and fall.

Attaining the long-term goal of 100 percent of the target asset level depends largely on obtaining investment returns in excess of actuarial assumptions.

## Performance highlights

At 2014 year-end, actual assets were 97 percent of the target value of assets required. A detailed calculation of this KPI is shown in the following table.

| | As at Dec. 31, 2014 ($ millions) | As at Dec. 31, 2013 ($ millions) |
|---|---|---|
| **Actual assets** | **$15,384** | **$14,472** |
| Liabilities | $11,863 | $11,615 |
| Target Capital Adequacy Reserve[31]* | $3,367 | $3,189 |
| Other reserves* | $590 | $590 |
| **Target assets** | **$15,820** | **$15,394** |
| KPI #8 (actual assets/target assets) | 97% | 94% |

* For more information on the Capital Adequacy Reserve and other reserves, see Note 11 of the consolidated financial statements (page 110).

## Major programs and strategies

To move toward an asset level of 100 percent of the target assets, we strive to apply sound investment policies and practices, prudently manage the employer assessment process, and reduce claim costs by helping B.C.'s industries achieve lower injury rates and higher return-to-work rates.

WorkSafeBC maintains a conservative and diversified investment portfolio to provide a long-term required level of investment returns without undue risk to the system (see Financial Context, page 14). This prudent investment approach provides reasonable assurance that, in the long term, investment returns will cover inflationary increases to claim benefit liabilities.[32]

The workers' compensation system relies on employer premiums as a primary income source. To ensure timely and accurate collection of employer premiums, we work closely with employers to verify estimated payrolls,

## Did you know?

**WorkSafeBC has a capital reserve we can draw from to assist in moderating year-over-year increases to average premium rates.**

confirm receivable amounts, collect overdue accounts, and educate employers about payment obligations and potential savings opportunities. WorkSafeBC also investigates employers who default on their payments and may initiate proceedings against them, resulting in administrative penalties or court-imposed sanctions.

Claim costs relating to injured workers account for approximately 96 percent of all liabilities. WorkSafeBC acts in partnership with workers, employers, safety associations, unions, and other key stakeholders to reduce incidence of occupational injury, disease, and death (see KPI #1, page 24). When these incidents do occur, we try to resolve claims quickly, safely returning injured workers to lasting employment — which also results in reducing claim costs (see KPIs #2 and #3, pages 27 and 29, respectively).

## Looking ahead

Among other factors, this KPI is based on the market value of our assets (the numerator of the benchmark ratio) so some level of volatility can be expected in the future as equity markets rise and fall. Our Board of Directors considers the financial stability and sustainability of the workers' compensation system a key priority; this will be achieved by maintaining an adequate level of capital — through assessment collection and prudent investment of the Accident Fund.

We set assessment rates using smoothed rather than fair value accounting (see Financial Context, page 14); this approach dampens the volatility in market returns. According to WorkSafeBC policy, we draw on our Capital Adequacy Reserve as needed to moderate year-to-year average premium rate increases for employers.

Also, for this KPI, targets set through 2017 reflect future investment returns that are expected to be less robust than average returns over the last 10 years.

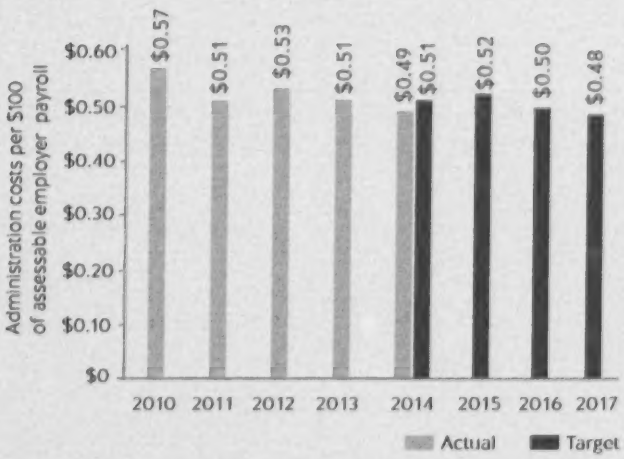
Given these factors, we anticipate relatively neutral fair value financial results in 2015, 2016, and 2017 — investment income at consumer price index (CPI) plus 3.0 percent to meet liability requirements and relatively modest claims experience gains and losses. On this basis, and in light of OSFI methodology changes (see Setting targets section), targets for 2015 through 2017 have been set at 93, 91, and 89 percent.

In years when returns outperform assumptions, we anticipate moving closer to our long-term goal of 100 percent. However, as it is impossible to accurately forecast short-term financial market fluctuations, such outperformance is not built into our 2015–2017 targets.

Since target levels for this KPI equate to an expected funded level of about 127 percent of assets over liabilities (the comparative AWCBC measure), we are confident that published targets reflect the system's continued viability.

## Key performance indicator #9:[33] Control administration costs

**WorkSafeBC's administration costs per $100 of assessable employer payroll**




## Importance

We aim to provide value to our stakeholders by delivering the highest level of service in the most cost-effective manner. One way we measure our administrative efficiency is by calculating our annual administration costs per $100 of assessable employer payroll. By calculating our annual administration cost ratio, we can compare and monitor the cost of administering B.C.'s

workers' compensation system and evaluate our year-over-year performance. An alternate measure in Appendix A, as described below, will allow for the continued comparison of our administration costs relative to other jurisdictions in Canada.

## Change in measurement

In 2014, the key performance indicator, Control Administration Costs, changed from a subset of total administration costs to a total cost basis that excluded only the administration costs for self-insured employers. Administration costs used in the KPI were previously based on the Association of Workers' Compensation Boards of Canada (AWCBC) definition[34] (i.e., subset of total administration costs excluding interjurisdictional differences, such as prevention services, external agencies, Review Division, and administration costs for self-insured employers).

This change was implemented to establish a benchmark more representative of our total cost to administer all our obligations under the *Workers Compensation Act* in British Columbia, as the AWCBC measure only includes administration costs related to services found in all Canadian jurisdictions. We will continue reporting the administration cost measure based on the common definition of administration costs used by AWCBC in Appendix A. See page 124 for a comparison of administration costs across all workers' compensation boards in Canada.

## Setting targets

The targets for 2015–2017 are based on our 2015 business plan, which includes a three-year administration cost budget and projection of assessable payroll. In setting our administration cost budget, we balance the need to remain cost-effective with maintaining high service levels for both workers and employers.

Both internal and external factors affect our performance and decision making in this area. Internally, for example, a decrease in the number of WorkSafeBC employees performing claim-related work could lower our administration costs. But such a reduction could also trigger longer rehabilitation times and lower return-to-work outcomes for injured workers, likely increasing claim costs by more than the administration costs we would save. Meanwhile, externally, an improved B.C. economy could lead to an increase in the province's total assessable payroll; this would decrease our ratio of administration costs per $100 of payroll. In the same way, a decline in economic growth could have the opposite effect.

Given these internal and external variables, we set targets based on best estimates of our overall capacity and relative to B.C.'s expected economic growth. This allows us to track our performance in managing administration costs.

## Performance highlights

The administration cost ratio can be impacted by changes to the ratio numerator (administration costs) or the denominator (the province's assessable payroll). In 2014, the administration cost ratio decreased by 3.9 percent to $0.49 — better than both the 2013 result and our 2014 target of $0.51.

- The improvement in this KPI compared to 2013 result was caused predominantly by a 3.6 percent ($2.9 billion) increase in the province's assessable payroll, an indicator of B.C.'s growing workforce and economic growth which, in turn, is a leading indicator of changes in WorkSafeBC's workload.
- When compared to the 2014 target of $0.51, which anticipated the growth in the province's payroll, the better result of $0.49 is due to lower-than-projected administration costs.

In 2014, total administration costs decreased slightly, by 1.0 percent ($4.2 million), and were 4.8 percent ($21.2 million) less than budget. Our decreased administration costs related primarily to lower employee benefit costs from changes in actuarial assumptions. See page 56 of the Management Discussion and Analysis section for more information on the total administration cost variance. See Note 15 of the consolidated financial statements (page 114) for a breakdown of total administration costs by cost category and function.

## Major programs and strategies

WorkSafeBC monitors and manages administration costs through a system of internal controls, including:

- Monthly reviews and analyses of administration costs, including explanations of any significant variances from plan by each division's financial manager with the chief financial officer (CFO) and corporate controller
- Monthly reporting of administration costs and variances to the president and chief executive officer (CEO) and the senior executive committee, and regular reporting to the Audit Committee of the Board of Directors
- Quarterly business plan and budget reviews with the president and CEO, CFO, and corporate controller by each division's senior vice-president and/or vice-president

## Looking ahead

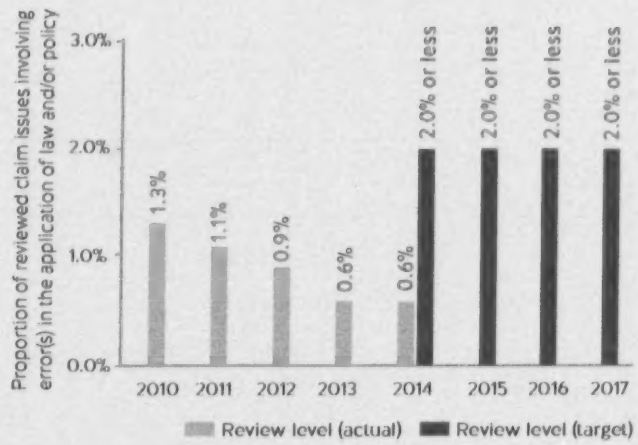
As mentioned earlier, the administration cost ratio can be affected by changes to the numerator (administration costs) or denominator (the province's assessable payroll). Going forward, we foresee the following:

- For the numerator: administration costs for 2015 are projected to increase by 4.5 percent from the previous year's budget and anticipated to increase a further 1.2 percent in 2016, but decrease 0.8 percent in 2017. These changes are expected mainly due to non-discretionary changes such as employee pension expenses, employee long-term disability costs, medical benefits for retirees, and other contractual commitments.
- For the denominator: assessable payroll is expected to increase by 3.8 percent in 2015, 4.1 percent in 2016, and 4.2 percent in 2017. These figures are based on projected changes in B.C.'s labour income as estimated by the provincial Ministry of Finance.[35] The higher expected change in assessable payroll, compared to administration cost growth, contributes to expected reductions in this ratio in each of the coming years.

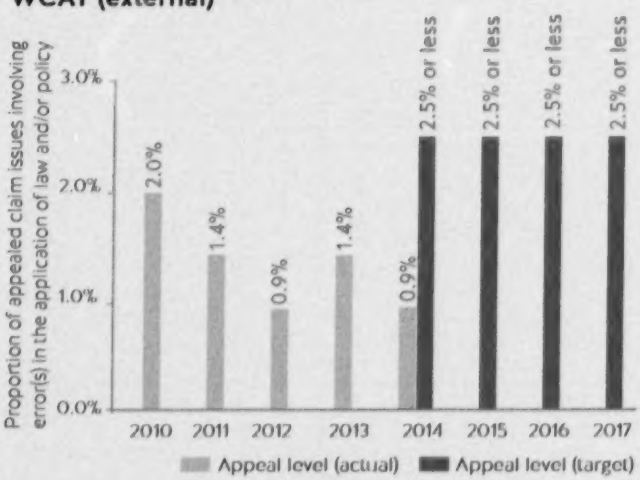
We will continue monitoring and evaluating the balance between controlling our administration costs and ensuring a high quality of service while preparing to adjust that balance to best meet the needs of our stakeholders.

### Key performance indicator #10:[36] Improve decision making throughout WorkSafeBC, ensuring consistency with legislation and policy

**Claim issues leading to overturned decisions due to WorkSafeBC error in law or policy — Review Division (internal)**




**Claim issues leading to overturned decisions due to WorkSafeBC error in law or policy — WCAT (external)**




## Importance

WorkSafeBC employees make thousands of decisions regarding compensation, prevention, assessment, and rehabilitation matters affecting B.C. workplaces. Their goal is to arrive at the correct decision by weighing evidence consistently and ensuring compliance with applicable law and policy. In the absence of law or policy

to cover every conceivable situation, each issue must be decided on its own merits within the parameters of applicable law and policy.

In most cases, WorkSafeBC decisions are accepted by those involved. Nonetheless, workers and employers have the right to appeal decisions if they disagree with our findings. For most decisions, two levels of appeal are available. The first level involves an impartial review by our Review Division, which looks to ensure appropriate decisions have been made on issues in dispute. The second level involves the Workers' Compensation Appeal Tribunal (WCAT), a final, external level of appeal for WorkSafeBC matters the tribunal is authorized to hear and decide. Both the Review Division and WCAT are important components of the adjudicative process. Their findings help offer better understanding of the principles relating to workers' compensation adjudication, while also highlighting the need for policy reform, enhanced employee training, or additional stakeholder education.

## Setting targets

Following the review or appeal of a WorkSafeBC decision, the Review Division or WCAT may reach a conclusion that differs from the original decision. This is part of the normal inquiry process. At WorkSafeBC, we track the rate of errors coded by the Review Division or WCAT in applying law and/or policy — the most objective and readily available measure of quality decision making. Ideally, WorkSafeBC would decide every issue on every claim in accordance with law and policy. However, the everyday realities associated with handling a high volume of complex claims, providing ongoing training, meeting statutory deadlines, and applying, in certain cases, technical legislation, regulation, and policy are all barriers to a zero-error rate.

In light of these practical limitations, WorkSafeBC has established key performance indicator #10 as an indicator of quality decision making. Our Board of Directors has set the practical target error rate at 2.0 percent or less for primary decisions reviewed at the Review Division level and 2.5 percent or less for Review Division decisions appealed at the WCAT level. These targets have been extended to 2017.

## Performance highlights

In 2014, we reviewed a total of 15,149 issues relating to 12,276 WorkSafeBC decisions. Of these, 92 (0.6 percent) resulted in overturned decisions because of perceived error in the application of legislation or policy — better than the established target for the year. Meanwhile, WCAT decided on 5,793 issues relating to 4,039 completed appeals of Review Division decisions. Of these, 50 (0.9 percent) resulted in overturned decisions due to perceived error in the application of legislation or policy — also better than the year's established target.

In looking at all issue outcomes, overall, the Review Division confirmed 70 percent of the issues it reviewed; 19 percent were allowed, or allowed in part, while 11 percent were returned to the initial decision-making division for further investigation or determination. Of the total appeals WCAT examined in 2014, 62 percent of issues were confirmed while 38 percent were allowed or allowed in part. Both at the Review Division and WCAT, the top two issues on review and appeal were the acceptance of a claim for an injury and entitlement to compensation for a permanent partial disability.

## Major programs and strategies

To ensure decisions made under the *Workers Compensation Act* are consistent with legislation, regulation, and policy, we undertake various programs to educate decision makers on appropriate methods of evidence gathering and weighing, decision making, and decision writing.

We also convene quality councils for compensation, prevention, and assessment matters. These senior-level councils, which include representatives from different areas of our organization, review ongoing issues relating to decision-making quality. They also develop plans for rectifying any identified issues. To complement this strategy, we collaborate and communicate with various working areas of the organization to help identify everyday service concerns and develop and implement immediate and long-term solutions.

Through 2014, WorkSafeBC's Review Division continued the quality decision review process. As part of this process, team managers and the quality assurance group review select decisions — either before or after decisions are issued. This involves examining the appropriate application of law and policy. Without encroaching on the independence of its decision makers, review officers also peer review each other's draft decisions and provide constructive feedback before final decisions are released. Our Review Division's quality assurance group also conducts in-depth reviews and audits of decisions as

well as training in all subject areas, including compensation, assessment, and prevention matters. Audits may be conducted jointly between the Review Division and the appropriate operating division.

## Looking ahead

Our Review Division will continue providing timely, first-level dispute resolution while actively looking for efficiencies in decision making and remaining focused on quality and customer service. Incoming review volumes, policy changes, and staff movement will continue putting pressure on review officers that could potentially result in additional errors as law and policy are applied. However, ongoing training and initiatives to enhance quality should help mitigate this risk. As an organization, we will continue monitoring claim and review volumes, adjusting resources where necessary.

# Corporate Social Responsibility

# Environmental management

WorkSafeBC strives to reduce greenhouse gas emissions and divert waste from landfills as part of our environmental commitment.

## Greenhouse gas emissions

We measure our greenhouse gas production from our vehicle fleet, buildings, and office paper using the Climate Action Plan SMARTTool. In 2014, we reduced our total greenhouse gas emissions by 9 percent. While our emissions from paper consumption increased by 21 percent,[37] emissions from buildings and fleet decreased by 9 percent and 10 percent,[38] respectively, compared to 2013.

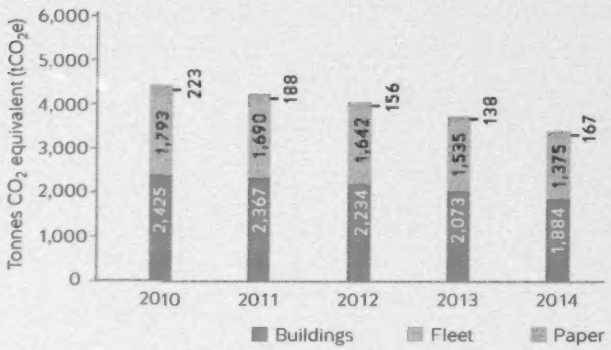
## Waste diversion

In 2014, our main office in Richmond generated 420.6 tonnes of waste compared to 453.9 tonnes in 2013, a decrease of 7 percent. In addition, a smaller amount of our waste went to the landfill, down from 97.0 tonnes in 2013 to 85.4 tonnes in 2014. Of our waste generated in 2014, we recycled 250.9 tonnes and composted 84.3 tonnes, resulting in 80 percent (79 percent in 2013) of our waste being recycled or composted in 2014.

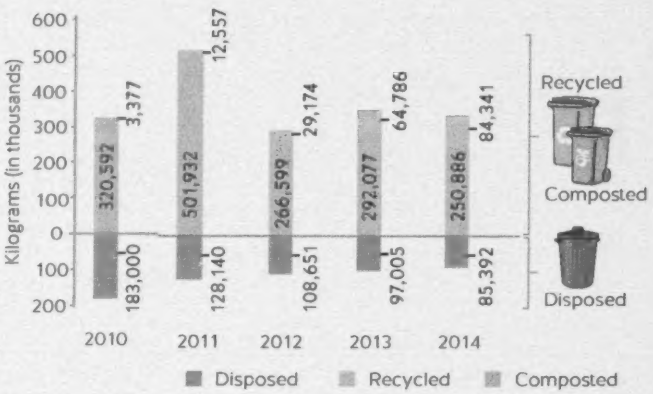
## Employee leadership in the community

In September 2014, WorkSafeBC employees, family, and friends once again took part in the Great Canadian Shoreline Cleanup in Richmond and Nanaimo. The 64 Richmond volunteers collected 122 kg (270 lbs) of garbage on River Road, while the 15 Nanaimo volunteers removed 23 kg (50 lbs) from Departure Bay.

**Greenhouse gas emissions**




**Waste diversion**




Above left: Employees opt for an electrical fuel-up at the WorkSafeBC Richmond head office.

Below left: WorkSafeBC staff and family take part in the annual volunteer shoreline clean-up in Richmond, B.C.

# Our Finances

# Management Discussion and Analysis

This Management Discussion and Analysis section reports on WorkSafeBC's consolidated results and financial position for the year ending December 31, 2014. It should be read in conjunction with the consolidated financial statements and accompanying notes.

This Management Discussion and Analysis section also includes a discussion of key strategic, financial, and operational risk factors that affect current and future performance.

The *2014 Annual Report and 2015–2017 Service Plan* and *WorkSafeBC Statistics 2014* publications are both available at www.worksafebc.com/publications/reports. Also available online is supplementary information on WorkSafeBC's operating results from an underwriting perspective, including a 10-year summary table, gain and loss analysis, and a statement of changes in rate group balances — three supplementary schedules prepared based on the smoothed[39] accounting approach.

# Overview of 2014 financial results

## 2014 and 2013 highlights

| Financial highlights ($ millions) | 2014 | 2013 | Change |
|---|---|---|---|
| Portfolio investments | 14,625 | 13,604 | 1,021 |
| Benefit liabilities | 11,386 | 11,140 | 246 |
| Unappropriated balance | 1,348 | 1,388 | (40) |
| Accumulated other comprehensive income (loss) | (226) | (83) | (143) |
| Reserves | 2,399 | 1,552 | 847 |
| Total funded position | 3,521 | 2,857 | 664 |
| Premium income | 1,343 | 1,240[a] | 103 |
| Investment income | 1,458 | 1,547 | (89) |
| Other income | 10 | 4 | 6 |
| Claim costs | 1,778 | 1,951 | (173) |
| Operating costs | 226 | 218[a] | 8 |
| Surplus from operations | 807 | 622 | 185 |
| Other comprehensive income (loss) | (144) | 206 | (350) |
| Total comprehensive income | 663 | 828 | (165) |
| **Operational highlights** | | | |
| Percentage of target funding level achieved (see key performance indicator #8, page 37) | 97% | 94% | 3 points |
| Aggregate premium rate | $1.63 | $1.55[b] | $0.08 |
| Number of insured employers | 221,324 | 217,759 | 3,565 |
| Number of workers covered | 2.22 million | 2.19 million | 0.03 million |
| Injury rate (see key performance indicator #1, page 24) | 2.28 | 2.30 | (0.02) |
| Number of claims registered | 146,814 | 144,816[c] | 1,998 |

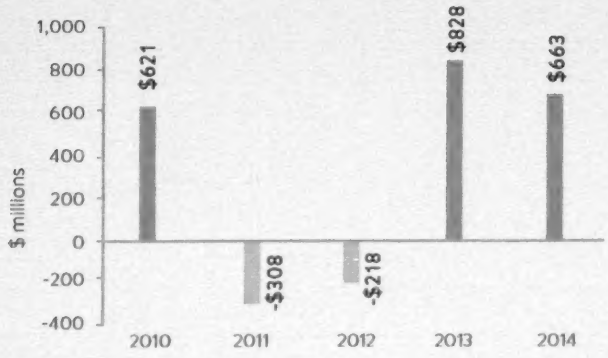
a The 2013 figure has been restated from that published in the *2013 Annual Report and 2014–2016 Service Plan* to reclassify assessment bad debts (previously netted against premium income) to operating costs, conforming with the standard accounting disclosure requirement.

b The estimated rate published in the 2013 annual report has been updated to a final rate of $1.55.

c The count of claims registered has been restated from that published in the 2013 annual report due to the claim consolidation process to remove duplicate claims.

WorkSafeBC had another strong financial year in 2014. Total comprehensive income of $663 million, a positive result for the second consecutive year, was primarily due to two factors: investment income that exceeded liability requirements and lower claim costs. These results are also $983 million favourable when compared to the total comprehensive loss planned for the year (see Comparison to plan, page 61).

**Total comprehensive income (loss)**




In keeping with our strategic objective to ensure long-term financial sustainability of the workers' compensation system, we achieved a funded position (accumulated surplus) of $3.5 billion at the end of 2014. This equates to 97 percent of the target funding level as set by our Board of Directors. The funded position balance, made up of the unappropriated balance, reserves, and accumulated other comprehensive income or loss, (see page 70 of the consolidated financial statements) increased by $663 million in 2014 — even with the return of accumulated surpluses to employers through the setting of a base premium rate lower than the cost rate (see gain and loss table below). As a result, we remain well-positioned to meet future demands on the Accident Fund (see KPI #8, page 37). Included in the funded position are reserves with a total balance of $2.4 billion (see page 111).

**Funded position**

## Gain and loss analysis

WorkSafeBC's funding model is to operate on a break-even basis — premiums are intended to cover current-year claim and operating costs, and investment returns are expected to cover liability requirements from prior-years' claims. Gains or losses arise when premiums are intentionally underpriced (to return unappropriated surplus) or investment income differs from liability requirements, or when actual costs differ from forecast. The following table shows the major components contributing to the total comprehensive income or loss.

**Gain and loss table (rateable classes only)***

| ($ millions) | 2014 | 2013 | Change |
|---|---|---|---|
| Premium income excess (deficiency) over current-year claim and operating costs | (115) | (248) | 133 |
| Investment income excess over liability requirements | 847 | 1,145 | (298) |
| Lower (higher) actuarial liabilities than previously anticipated for prior-years' claims | 64 | (274) | 338 |
| Actuarial gains (losses) on latent occupational disease liability | 11 | (1) | 12 |
| Actuarial gains (losses) on employee benefit plans | (144) | 206 | (350) |
| **Total comprehensive income (loss)** | **663** | **828** | **(165)** |

* The gain and loss table excludes costs relating to self-insured classes, which are fully recoverable.

In 2014, there was a smaller loss on current-year injuries relative to 2013 (first row in the table above), mostly due to higher premium income but relatively flat current-year injury and operating costs. Excess investment income was reduced somewhat in 2014 due to a lower difference between earned investment return (10.6 percent in 2014; 12.4 percent in 2013) and actuarially required return (5.4 percent in 2014; 3.7 percent in 2013). The gain from lower actuarial liabilities on prior-years' claims was mainly due to lower health care payments in 2014, as well as a reduction in the five-year average cost index for both health care and long-term disability. Finally, actuarial gains on employee benefit plans were reduced by $350 million to a loss position, primarily due to a reduction in the accounting discount rate (see page 57 for a discussion of this component).

## Revenues

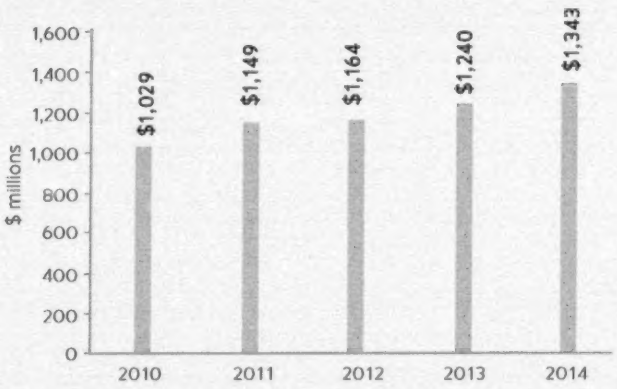
WorkSafeBC has two primary streams of revenue: premium income and investment income.

### Premium income

Premium income consists mostly of assessments received from rateable employers and, to a much lesser extent, from self-insured employers.[40] Rateable premium income is derived primarily from total assessable payrolls multiplied by the appropriate rate for each employer.

In 2014, premium income increased as both the assessable payroll and aggregate premium rate increased; assessable payroll increased due to continued growth in the B.C. economy and continued decline in the provincial unemployment rate. The increase in the average premium rate is discussed on the following page.

**Premium income***




* 2010–2013 amounts have been restated from those published in the *2013 Annual Report and 2014–2016 Service Plan* to reclassify assessment bad debts (previously netted against premium income) to operating costs, conforming with the standard accounting disclosure requirement.

**Premium income**

| ($ millions) | 2014 | 2013 | Change |
|---|---|---|---|
| Rateable employers | 1,329 | 1,211* | 118 |
| Self-insured employers | 14 | 29 | (15) |
| **Total** | **1,343** | **1,240** | **103** |
| Base premium rate | $1.70 | $1.63 | $0.07 |
| Aggregate premium rate | $1.63 | $1.55** | $0.08 |
| Assessable payroll ($ billions) | $84.4 | $81.5 | $2.9 |

* The 2013 figure has been restated from that published in the *2013 Annual Report and 2014–2016 Service Plan* to reclassify assessment bad debts (previously netted against premium income) to operating costs, conforming with the standard accounting disclosure requirement.

** The 2013 estimated aggregate premium rate has been updated to a final rate of $1.55.

## Did you know?

**B.C. employers pay some of the lowest workers' compensation premiums in North America.**

In 2014, premium income from self-insured employers decreased due to lower claim costs incurred by these employers. Income from self-insured employers includes the recovery of claim costs paid on behalf of these employers, an allocation of administration costs to manage compensation claims, and changes in the actuarial valuation of their benefit liabilities.

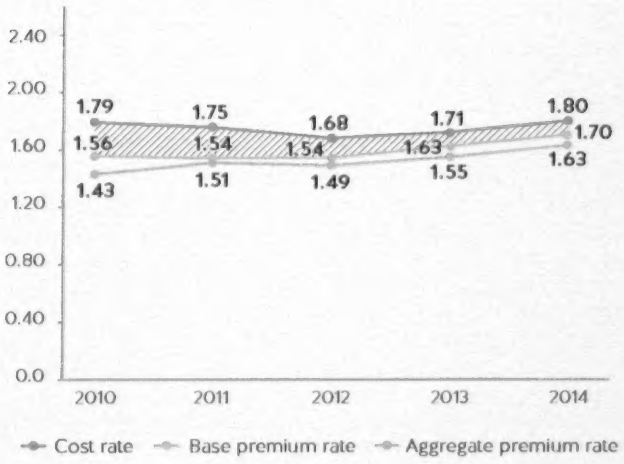
Premium income reported in the consolidated financial statements is partially based on estimates. The final premium amount for the 2014 assessment year will not be fully known until May 2015, when almost all employers will have submitted their final premium reconciliation statements. To meet the reporting deadlines for this annual report, WorkSafeBC has estimated the value of premium income based on financial data from March 2015. Given the uncertainty associated with this estimate, we tend toward a conservative approach. In the previous five years, the difference between the estimated value of premium income and the final amount has not been more than 1.0 percent. Any difference between final remittances from employers and the accrued amount resulting from estimates is recognized as premium income in the following year.

### Premium rates

After nine consecutive years of reductions, 2013 and 2014 saw base premium rates rise as claim costs increased. For 2015, the base rate will remain at $1.70, despite an expected increase in costs, due to the capping of rate increases and a special drawdown of the Capital Adequacy Reserve (CAR).

The chart below presents a five-year comparison of costs (cost rate), published premium rate (base premium rate), and premiums collected (aggregate premium rate).

**Premium rates**




The difference between the average base rate and the cost rate, indicated by the shaded area of the chart, represents the sum of adjustments made that prices coverage to employers below the average cost to provide that coverage — primarily the result of excess investment returns.

**Cost rate** — The major component of the premium rate is the expected cost rate, a prior estimated (e.g., the 2014 cost rate was determined in mid-2013) cost of new injuries and administration for the upcoming calendar year. The 2014 expected cost rate of $1.80 per $100 of assessable payroll was up by $0.09, primarily due to cost increases for long-term disability and health care in 2012 (the last year of experience used to establish the 2014 cost rate).

**Base premium rate** — The base rate is the published premium rate. It is determined by deducting from or adding to the cost rate: the amortization of rate group surpluses or deficits; capping of rate increases and

decreases; and other required adjustments to the rate. In 2014, the base rate was $1.70 compared to the cost rate of $1.80. In the absence of investment returns in excess of requirements, or reduction of costs to bring them in line with current premium rates, there will be upward pressure on future base rates to align with the cost rate.

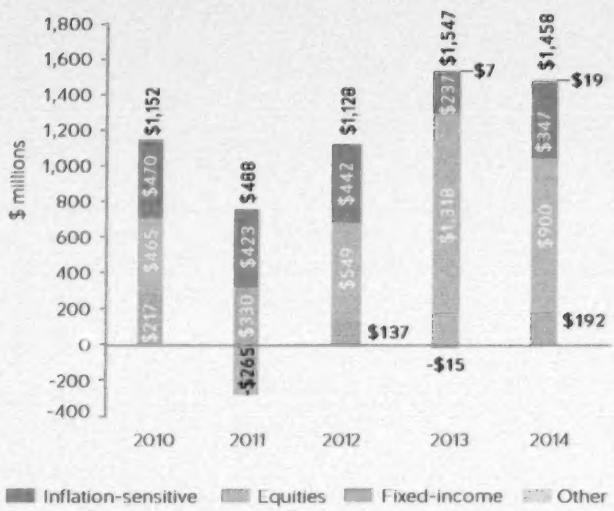
**Aggregate premium rate** — The aggregate premium rate is the average collected rate that reflects the actual payroll mix by industry (as compared to projected payroll mix used in determining the cost and base rates) and imbalances arising from the experience rating plan. In 2014, the aggregate premium rate of $1.63 was lower than the base rate of $1.70 largely due to imbalances arising from the experience rating plan.

The 2014 aggregate premium rate of $1.63 per $100 of assessable payroll was on target[41] and an increase of 5.2 percent from the 2013 aggregate rate of $1.55. This increase is in line with the increase in the 2014 published base rate of $1.70, from the 2013 level of $1.63. Claim costs largely drive the aggregate premium rate. To reduce claim costs, WorkSafeBC acts in partnership with employers, workers, and other key stakeholders to strengthen workplace health and safety; reduce the incidence of workplace injury, disease, and death; and assist workers in safe and durable return to work as soon as possible following injury.

## Investment income

By legislation, WorkSafeBC is required to maintain an Accident Fund that sufficiently meets all present and future costs (liabilities) for injuries arising in the current year as well as those from previous years. The Accident Fund invests in pooled funds and investment corporations managed by the British Columbia Investment Management Corporation (bcIMC). See the portfolio investments section, page 57, for a discussion on total portfolio value gains in 2014.

**Investment income***




* 2010 and 2011 figures have been reclassified from those published in the *2013 Annual Report and 2014–2016 Service Plan* to conform with the 2014 investment income classification.

In 2014, investment income of $1.5 billion was $89 million lower than in 2013, based on returns of 10.6 percent (compared to 12.4 percent in 2013). Major stock markets reported gains despite low global economic growth rates in 2014, albeit lower gains than in 2013. WorkSafeBC's equity, inflation-sensitive, fixed income, and other investments had positive returns of $900 million, $347 million, $192 million, and $19 million, respectively. Realized and unrealized market value gains account for more than half of 2014 and 2013 investment income; income distributions accounted for the remainder, as shown in the following table.

**Investment income**

| ($ millions) | 2014 | 2013 | Change |
|---|---|---|---|
| Income distributions from investments | 556 | 511 | 45 |
| Net realized gains on investments | 315 | 251 | 64 |
| Net unrealized gains on investments | 587 | 785 | (198) |
| **Total** | **1,458** | **1,547** | **(89)** |

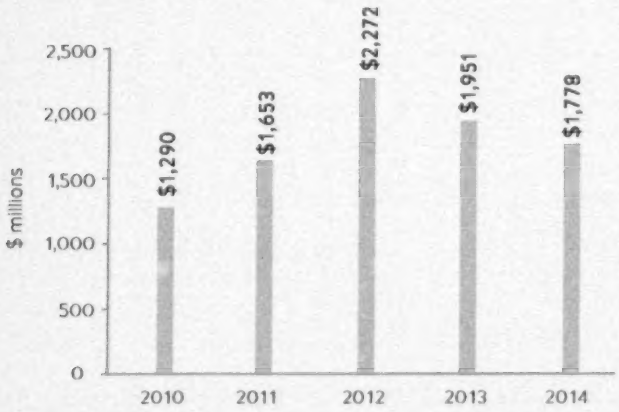
## Expenses

WorkSafeBC's expenses consist of claim costs and operating costs (which include administration costs, injury research and reduction initiatives, and investment costs).

### Claim costs

Claim costs consist of benefit payments and the change in actuarial valuation of benefits. In 2014, our overall claim costs decreased by $173 million.

**Claim costs**




In 2014, benefit payments were $1.5 billion, marginally higher than 2013, and actuarial valuation adjustments were $246 million, a decrease from 2013. Benefit payments include an internal allocation of costs for the Vocational Rehabilitation department and for claim administration. A breakdown of these costs is noted in the table below.

**Benefit payments**

Short-term disability (STD) payments were 4.7 percent lower in 2014 than 2013. Total days paid for STD claims in 2014 was 2.6 million days, at an average daily rate of $106.96. While the average compensation rate increased 0.1 percent, there was a 4.8 percent decrease in days paid, resulting in lower total STD payments. In 2014, we continued focusing resources on addressing the most complex and costly claims to assist injured workers with their recovery and return to work or transition to vocational rehabilitation services.

Long-term disability (LTD) payments constitute the largest category of payments WorkSafeBC makes on an annual basis. In 2014, these payments were $23 million higher than the previous year. While the number of new pension awards in 2014 increased, the average cost of awards was lower than in 2013.

### Claim costs

| | 2014 | | | 2013 | | | |
|---|---|---|---|---|---|---|---|
| ($ millions) | Benefit payments | Change in actuarial valuation of benefit liabilities | Total | Benefit payments | Change in actuarial valuation of benefit liabilities | Total | Change |
| Short-term disability | 282 | (7) | 275 | 296 | 1 | 297 | (22) |
| Long-term disability | 492 | 146 | 638 | 469 | 186 | 655 | (17) |
| Survivor benefits | 67 | 30 | 97 | 67 | 5 | 72 | 25 |
| Health care | 328 | 48 | 376 | 338 | 163 | 501 | (125) |
| Vocational rehabilitation | 117 | 17 | 134 | 113 | 38 | 151 | (17) |
| Claim administration | 246 | 4 | 250 | 244 | 18 | 262 | (12) |
| Latent occupational disease | — | 8 | 8 | — | 13 | 13 | (5) |
| **Total** | **1,532** | **246** | **1,778** | **1,527** | **424** | **1,951** | **(173)** |

Survivor benefit payments have been relatively stable, remaining at the same payment level for the last three years.

In 2014, health care payments decreased by 3.0 percent. This decline was due primarily to the reduced use of heath care services per claim compared to recent prior years. Notably, reduced use of expedited surgery, drugs and pharmacy, mental health services, and physician services were all key factors contributing to lower overall payments for health care services.

Vocational rehabilitation benefit payments increased in 2014 by $4 million. These expenditures reflect increased referrals of injured workers to our vocational rehabilitation (VR) program. Our efforts in this area are paying off as a high percentage of workers receiving vocational rehabilitation are successfully returning to work (see KPI #3, page 29).

In 2014, claim administration payments increased by $2 million. These costs are discussed as part of the overall explanation of the administration cost variance in the Operating costs section, page 56.

### Changes in actuarial valuations

In 2014, the largest component of the decrease in claim costs was the $178 million reduction in the benefit liability change. Health care benefit and long-term disability liability changes accounted for most of this decrease. The health care liability change decreased by $115 million, mainly due to lower heath care payments in 2014 and a reduction in the index used to value the liability. The long-term disability liability change was a net decrease of $40 million, mainly due to a reduction in the 2014 five-year average index and a refinement in the backlog estimation — partially offset by an anticipated mortality improvement and a higher inflation rate. There was a net decrease of $23 million for other benefit liability changes, mainly due to reduced growth of the five-year indices for short-term disability and vocational rehabilitation, partially offset by an increase in survivor benefits resulting from an anticipated mortality improvement and a higher inflation rate.

Changes in actuarial valuation are non-cash in nature as they are not paid out on claims in the current year. They strictly reflect the expected future cost of claims that occurred in the current and previous years.

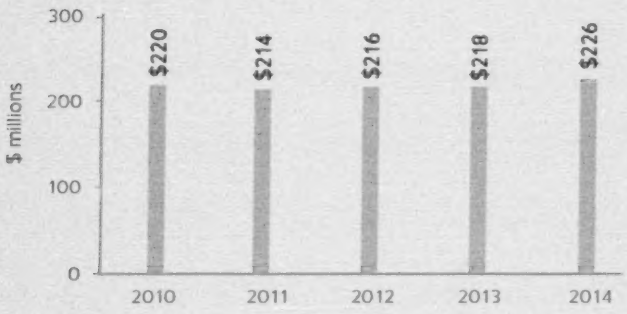
## Did you know?

**In 2014, we provided claim benefits to more than 247,000 people.**

## Operating costs

In 2014, operating costs increased by $8 million over 2013; however, administration costs — the largest component of operating costs — decreased by $7 million.

### Operating costs*




* 2010–2013 amounts have been restated from those published in the *2013 Annual Report and 2014–2016 Service Plan* to reclassify assessment bad debts (previously netted against premium income) to operating costs, conforming with the standard accounting disclosure requirement.

In 2014, WorkSafeBC's prevention costs increased by $3 million while other administration costs decreased by $7 million and claim administration costs increased by $2 million, resulting in a net decrease of $6 million in total administration costs. The increase in prevention costs is primarily associated with an increase in the number of prevention officers. Noteworthy changes accounting for the decrease in other administration costs included an $11 million decrease in employee pension costs resulting primarily from a higher discount rate used to value the pension liability, partially offset by $4 million in higher payroll costs.

Claim administration payments relate to the portion of operating costs incurred to adjudicate claims for compensation, manage claims, and process claim payments. These payments are excluded from total operating costs as they are already included as a claim cost, in line with the standardized financial statement presentation used by workers' compensation organizations in Canada.

In 2014, expenses for injury research and reduction initiatives remained at about the same level as 2013.

### Operating costs

| ($ millions) | 2014 | 2013 | Change |
|---|---|---|---|
| Prevention costs | 64 | 61 | 3 |
| Administration costs | 356 | 363 | (7) |
| Less: Claim administration payments | (246) | (244) | (2) |
| | **174** | **180** | **(6)** |
| Injury research and reduction initiatives | 12 | 13 | (1) |
| Bad debts | 6 | (3)* | 9 |
| Investment costs | 34 | 28 | 6 |
| **Total** | **226** | **218** | **8** |

* The 2013 figure has been restated from that published in the *2013 Annual Report and 2014–2016 Service Plan* to reclassify assessment bad debts (previously netted against premium income) to operating costs, conforming with the standard accounting disclosure requirement.

The $9 million increase in assessment bad debts was due almost entirely to an unusually large $8 million reduction in the 2013 provision for bad debts that did not materialize.

In 2014, investment costs increased by $6 million because of an increase in the portfolio value and transitioning the portfolio to higher allocations in equity and inflation-sensitive asset classes, which had higher fees (and returns) than fixed-income assets.

## Other comprehensive income or loss

The other comprehensive income or loss (OCI) line item in the statement of comprehensive income (loss) appears below the operating surplus or deficit for the year, suggesting it be viewed in a different context from normal operations. OCI reflects gains or losses on remeasurements as a result of movements in the price or valuation of an asset or liability. According to the International Accounting Standards Board, the presentation of such remeasurements in OCI is to separate those changes from changes considered to be the result of an entity's day-to-day operations.

WorkSafeBC's OCI consists entirely of actuarial gains or losses arising from post-employment employee benefit plans. In 2014, other comprehensive loss was $144 million (2013: $206 million income), and the resulting accumulated other comprehensive loss was $226 million (2013: $83 million accumulated loss). Actuarial losses in 2014 resulted primarily from an increase in plan liabilities due to a decrease in the discount rate (based on bond yields) used to calculate those liabilities, partially offset by returns on plan assets in excess of net interest expense. See Note 9, page 96, of the consolidated financial statements for further information.

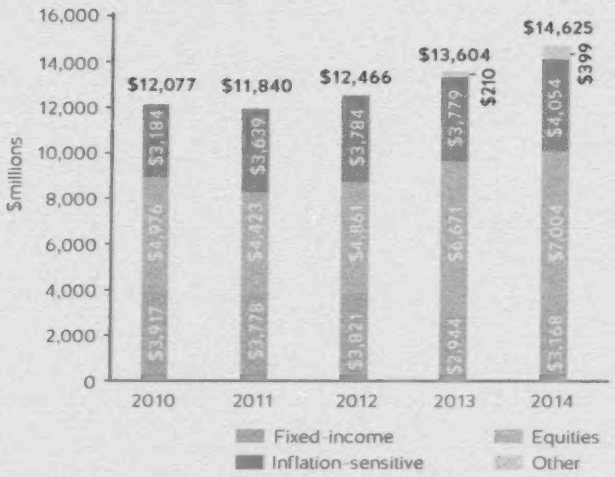
## Balance sheet

The largest and most important components of WorkSafeBC's balance sheet are our portfolio investments and benefit liabilities.

### Portfolio investments

The following chart shows the grouping of various types of investments by asset allocation category. In 2014, the portfolio value increased by $1.0 billion — from $13.6 billion to $14.6 billion. This increase reflects $1.5 billion of investment income (discussed earlier) less the amount of withdrawals required to fund claim payments and operating costs not covered by current-year premiums.

**Portfolio investments**




In 2014, the investment portfolio continued to be well-positioned, with WorkSafeBC's Investment Committee maintaining the investment portfolio close to its target weights (slightly underweight fixed-income and inflation-sensitive assets and overweight equity). The asset allocation targets[43] established under the investment policy are prudent; more than half the assets are allocated to fixed-income and inflation-sensitive investments. By year-end, the investment portfolio consisted of 21 percent fixed-income, 48 percent equity, 28 percent inflation-sensitive assets, and 3 percent other assets (compared to related investment policy targets of 25, 43, 32, and 0 percent, respectively).

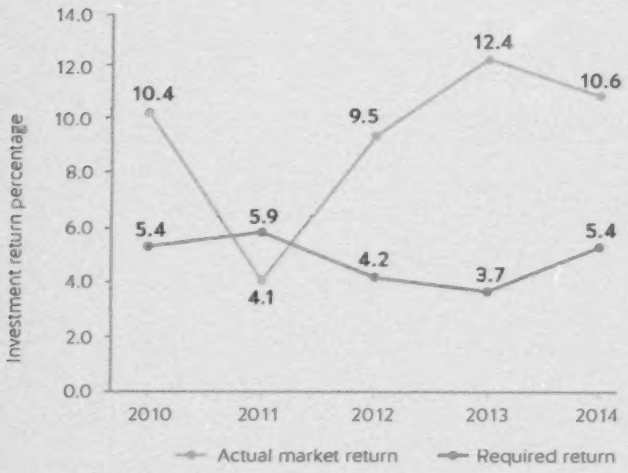
Most WorkSafeBC investments are held for the long term in securities of solid, sustainable organizations and countries with established or growing economies. We anticipate a continued but gradual increase in the market values of our investments.

## Portfolio investments

| ($ millions) | 2014 | 2013 | Change |
|---|---|---|---|
| Fixed-income | 3,168 | 2,944 | 224 |
| Equities | 7,004 | 6,671 | 333 |
| Inflation-sensitive | 4,054 | 3,779 | 275 |
| Other | 399 | 210 | 189 |
| **Total** | **14,625** | **13,604** | **1,021** |

As for investment performance, the portfolio's 2014 market return saw a gain of 10.6 percent — compared to gains of 12.4 percent in 2013 and 9.5 percent in 2012. This return was more than WorkSafeBC's return requirement[44] of 5.4 percent for the year. Annual variations in market return should be viewed against longer term results, shown in the chart that follows.

**Market return vs. required return**

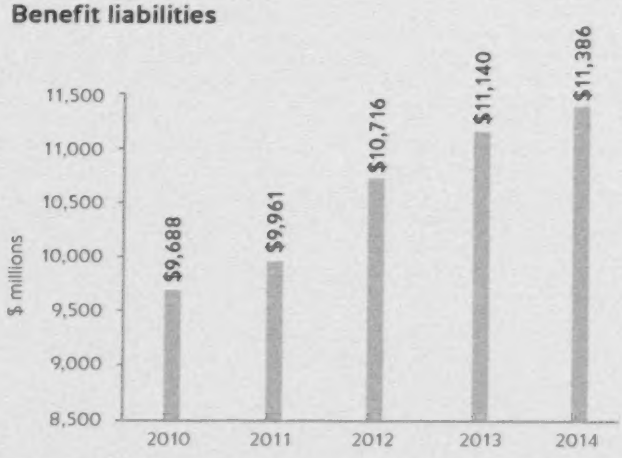



## Benefit liabilities

Benefit liabilities represent an estimate of the present value of future payments to be made on claims and are calculated based on actuarial assumptions. The methods and assumptions used by WorkSafeBC and resulting liability valuations are reviewed by an independent actuary (see Actuary's report on page 120).

Total benefit liabilities increased by $246 million or about 2.2 percent in 2014. The largest increases were $146 million for long-term disability, $47 million for health care, and $30 million for survivor benefits. The increases in long-term disability liability and survivor benefits liability reflect a higher level of new long-term disability awards than seen in previous years, an inflation adjustment to monthly pension benefits, and an anticipated mortality improvement. The health care increase reflects a higher five-year average liability index in 2014.

**Benefit liabilities**




In estimating benefit liabilities, the two most important underlying assumptions are the net discount rate and future payment pattern.

**Net discount rate** — Expected future benefit payments are discounted to arrive at a present value liability amount. A 1.0 percent change in the overall discount rate would change liabilities by approximately $1.3 billion. See Note 10 of the consolidated financial statements,

page 103, for further information on net discount rates used in calculating the various components of benefit liabilities.

**Future payment pattern** — Benefit liabilities consist of two major categories (excluding the liability for long-latency occupational diseases, see below). Each category incorporates an estimate of the future payment pattern:

- Pension awards, capitalized values — This is the present value of monthly annuities (or pensions) already awarded to workers (long-term disability) or the survivors of deceased workers. The potential estimation error in this $5.2 billion liability is relatively small, as the awards are known.
- Provision for unfinalled claims — This is the present value of estimated future payments relating to injuries that have already occurred or diseases already diagnosed. The unfinalled claims liability is currently estimated at $5.8 billion. While WorkSafeBC cannot determine the exact measure of uncertainty in the estimate of unfinalled claim liability, historical data suggests it could range from plus or minus 20 percent, or about $1.2 billion.

Factors such as short-term disability duration, the success of vocational rehabilitation in returning injured workers to employment, the likelihood of injured workers receiving long-term disability awards, rising costs associated with increased use of health care services, and general economic conditions could all influence a change in liability value. Judicial or legislative decisions that alter policy or scope of coverage and/or accounting and actuarial standards changes could also affect the valuation of benefit liabilities.

**Provision for future long-latency occupational disease claims** — Workers' compensation organizations are also required to recognize a liability for long-latency occupational diseases. These are occupationally caused diseases (for which there has already been some exposure to the disease-causing agent), recognized as compensable, that are expected to manifest as claims in future years. At December 31, 2014, this liability was valued at $350 million.

## Benefit liabilities

| | 2014 | | | | 2013 | | | | |
|---|---|---|---|---|---|---|---|---|---|
| ($ millions) | Unfinalled claims | Pension awards | Future claims | Total | Unfinalled claims | Pension awards | Future claims | Total | Change |
| Short-term disability | 321 | — | | 321 | 328 | — | | 328 | (7) |
| Long-term disability | 1,811 | 4,403 | | 6,214 | 1,841 | 4,227 | | 6,068 | 146 |
| Survivor benefits | 105 | 840 | | 945 | 96 | 819 | | 915 | 30 |
| Health care | 2,537 | — | | 2,537 | 2,490 | — | | 2,490 | 47 |
| Vocational rehabilitation | 306 | — | | 306 | 289 | — | | 289 | 17 |
| Claim administration | 713 | — | | 713 | 708 | — | | 708 | 5 |
| Latent occupational disease | — | — | 350 | 350 | — | — | 342 | 342 | 8 |
| **Total** | **5,793** | **5,243** | **350** | **11,386** | **5,752** | **5,046** | **342** | **11,140** | **246** |

## Reserves

WorkSafeBC maintains several reserves, shown in the table that follows and described in Note 11 of the consolidated financial statements (page 110). Initiated in 2005, the Capital Adequacy Reserve[45] (CAR) is the largest reserve — at $1,809 million in 2014 (2013: $962 million). It is fashioned after the capital adequacy test of the federal Office of the Superintendent of Financial Institutions (OSFI) used in the private insurance sector. In 2014, $117 million was drawn down from the CAR to negate premium rate increases in 2015 while $964 million was appropriated from the 2014 smoothed[46] value operating surplus and transferred into the CAR; this resulted in a net contribution of $847 million.

The other eight reserves — not including the CAR — are intended to cover specific risks that are largely unique to workers' compensation and not inherently part of a private insurer's risk profile.

### Reserves

| ($ millions) | 2014 | 2013 | Change |
|---|---|---|---|
| Contingent Reserve | 3 | 3 | — |
| Disaster Reserve | 16 | 16 | — |
| Enhancement Reserve | 21 | 21 | — |
| Latent Occupational Disease Reserve | 200 | 200 | — |
| Earthquake Disaster Reserve | 20 | 20 | — |
| Research Reserve | 30 | 30 | — |
| Injury Reduction and Return-to-Work Initiatives Reserve | 50 | 50 | — |
| General Reserve | 250 | 250 | — |
| Capital Adequacy Reserve | 1,809 | 962 | 847 |
| **Total** | **2,399** | **1,552** | **847** |

## Comparison to plan

Each year, WorkSafeBC prepares *pro forma* financial projections as part of its annual business planning process. Performance targets for KPIs #8 and #9 (see pages 37 and 39, respectively) are based on these projections. These projections are, by design, conservative in nature.

| ($ millions) | 2014 actual | 2014 plan | Variance |
|---|---|---|---|
| Premium income | 1,343 | 1,344 | (1) |
| Investment income | 1,458 | 685 | 773 |
| Other income | 10 | 5 | 5 |
| **Total revenues** | **2,811** | **2,034** | **777** |
| Claim costs | 1,778 | 2,095 | 317 |
| Operating costs | | | |
| Prevention and administration costs | 420 | 441 | 21 |
| Less: Claim administration payments | (246) | (254) | (8) |
| Injury research and reduction initiatives | 12 | 22 | 10 |
| Bad debt | 6 | 5 | (1) |
| Investment costs | 34 | 45 | 11 |
| **Total expenses** | **2,004** | **2,354** | **350** |
| Operating surplus (deficit) | 807 | (320) | 1,127 |
| Other comprehensive income (loss) | (144) | — | (144) |
| **Total comprehensive income (loss)** | **663** | **(320)** | **983** |
| Aggregate premium rate | $1.63 | $1.63 | — |
| Funding level (AWCBC metric) | 130% | 121% | 9 points |
| Percentage of target funding level achieved | 97% | 92% | 5 points |

Our total comprehensive income in 2014 was $663 million, or $983 million better than planned. We had anticipated a loss, setting premiums at a lower rate than required to cover current-year costs (see gain and loss table in the overview section, page 50), in order to return a portion of the surplus to employers and in keeping with WorkSafeBC's funding policy. However, due to high returns earned on the investment portfolio — a favourable variance of $773 million, and lower-than-planned claim costs totalling a $317 million variance — the year ended with an operating surplus. These favourable variances were partially offset by an unplanned $144 million loss on the actuarial valuation of employee benefit plans [reflected in the other comprehensive income (loss) category in the table above].

Premium income was on plan for the year.

Claim costs were less than projected due to a reduction in claim liabilities, primarily lower-than-forecast health care and long-term disability liabilities. Operating costs were also under budget for the year. The favourable variance in prevention and administration costs was due primarily to lower payroll and employee benefit costs.

In 2014, funding for the Accident Fund was 130 percent (assets compared to liabilities), while the percentage of the target asset level achieved was 97 percent (assets compared to the target asset requirement level). Both measures were better than projected due to higher-than-expected total comprehensive income in 2014.

# Risk

## Risk management

Our strategic framework requires that management review external and internal factors to assess the risks facing our organization, including risks to programs, operations, finances, information, facilities, and staff required by WorkSafeBC to provide ongoing services to British Columbians.

Like any organization, we are susceptible to risks that could lead to significant consequences if unmitigated. As such, we have established internal controls, policies, and processes to assist in containing risks. An Internal Audit department, reporting regularly to the Audit Committee of the Board of Directors, conducts operational and control audits to test for compliance. The Audit Committee also receives semi-annual reporting on key risk factors, including an assessment of the potential impact of identified risks and the likelihood they will occur, and an assessment of the effectiveness of risk management procedures — referred to as the Enterprise Risk Management plan.

The following table shows the 2014 assessment of residual risks for 11 categories, from low (green) to extreme (red). Residual risk assessment considers the processes and controls in place to manage risk. Key strategic, financial, and operational risk factors are discussed below.

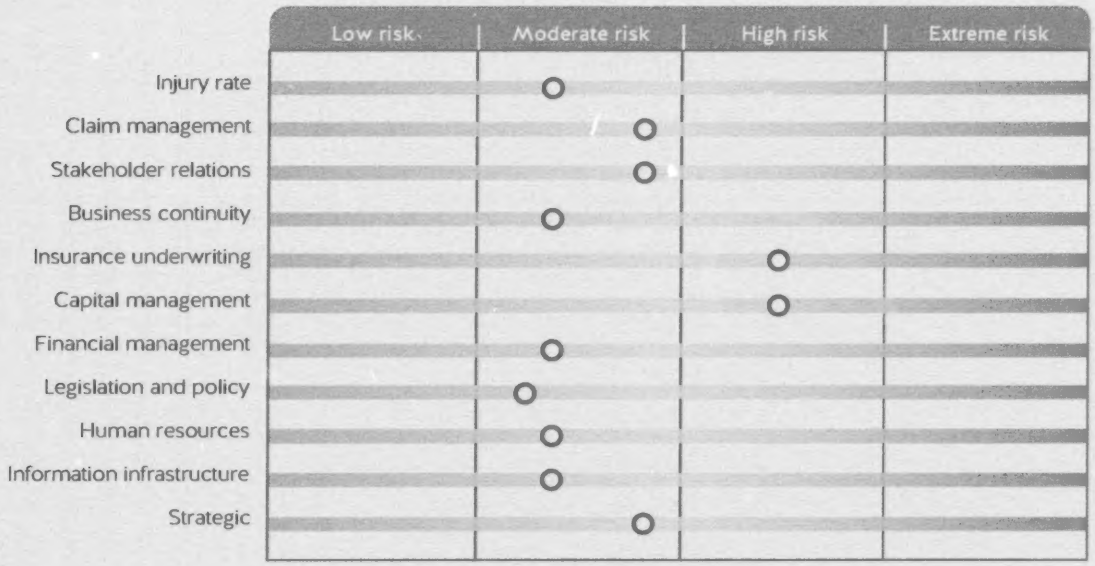
### Injury rate

Injury rate risk is considered moderate as our prevention strategy, coupled with the efforts of B.C.'s workers and employers, is helping maintain a low injury rate. To stay the course we will: continue working with our business and labour partners to address occupational health and safety risks; focus on emerging issues; engage in proactive enforcement targeting high-risk sectors; and support injury prevention education and awareness. Maintaining a low injury rate is paramount, as a lower rate means lower human cost paid through work-related injuries and deaths. In addition, each 1 percent increase in the number of injuries increases system costs by approximately $13 million and, by extension, the annual premium rate by 1 percent.

See KPI #1 (page 24) for further discussion of the injury rate.

### Claim management

Our claim management risk is rated as moderate. Although timeliness of short-term disability payments was just shy of target in 2014 (at 18.4 days compared to a target of 18.0), it has been improving over the previous four years. Return-to-work rates for workers on short-term disability and injured workers receiving vocational rehabilitation both exceeded targets in 2014. Our efforts returned 81.5 percent of injured workers to work by the 26-week mark (compared to target of 81.0 percent), while



76.1 percent of injured workers receiving vocational rehabilitation also returned to work (compared to target of 76.0 percent).

See KPIs #2, #3, and #4 (pages 27, 29, and 30, respectively) for further discussion of WorkSafeBC's claim management and return-to-work programs.

### Stakeholder relations

As our customer service and public confidence ratings remain favourable, our stakeholder relations risk has been assessed as moderate. Customer service improvement continues to be a priority. WorkSafeBC obtains feedback through regular surveys and focus groups, allowing us to better understand the needs of our customers and measure interactions that drive stakeholder perceptions of our organization. Consequently, we can better tailor business decisions to meet the needs of workers and employers and improve overall service.

See KPIs #5, #6, and #7 (pages 32, 34, and 36, respectively) for further discussion of WorkSafeBC's customer service and public awareness programs.

### Business continuity

Our business continuity risk is considered moderate as WorkSafeBC has a tested corporate business continuity plan in place to ensure critical services can be maintained or expeditiously restored in the event of a business disruption. Tests have included a facilitated analysis of a simulated emergency situation at a WorkSafeBC facility, involving our emergency response team, communications staff, and senior executives.

### Insurance underwriting

WorkSafeBC's insurance underwriting risk is rated high as there is always the possibility of pressure to artificially limit premium rates, which could impact the workers' compensation system's financial health. However, ongoing efforts aim to mitigate risk in this area. They include: monitoring the financial health and ongoing viability of rate groups and industry pools; the actuarial model and assumptions used to price rate group premiums and liabilities; and communicating with stakeholders on rate-setting methodology and the importance of maintaining an appropriate funding level. See page 52 for a discussion of premium rates.

Benefit costs (especially those related to high-cost injuries leading to long-term disability) are susceptible to many variables, and thus difficult to predict with certainty. To mitigate uncertainty in future costs, WorkSafeBC's Capital Adequacy Reserve (discussed in the next section) can be used to dampen significant premium increases — including those arising from higher claim costs.

### Capital management

Capital management has a high residual risk rating because we are managing an investment portfolio valued at $14.6 billion and many investment risks cannot be directly controlled. This includes significant market swings, geopolitical events, and interest rate changes driven by global monetary, fiscal, and trade policies.

To manage these types of risks, WorkSafeBC has a prudent investment policy with oversight from a Board-appointed Investment Committee, and a capital adequacy policy to mitigate market volatility and uncertainty in estimated liabilities.

To be a financially sound insurer, WorkSafeBC aspires to meet risk capital tests, such as those imposed on private insurers by regulatory authorities. In Canada, the Office of the Superintendent of Financial Institutions (OSFI) regulates banks and insurance companies to ensure they have sufficient capital to back their promises and obligations to customers and policyholders. In 2007, WorkSafeBC's Board of Directors approved the adoption of a capital adequacy policy setting out a target asset level using a methodology derived from OSFI guidelines. While WorkSafeBC is not subject to OSFI regulatory oversight, our decision to voluntarily adopt a capital coverage target is in keeping with our strategic objective of a financially sustainable system. At the end of 2014, WorkSafeBC's funding level was at 97 percent of the target capital level. Further information on the capital management strategy and funding level is provided in the discussion for KPI #8 (see page 37).

Additional disclosure on WorkSafeBC's investment risk management is provided in Note 4 of the consolidated financial statements, pages 83–86.

### Financial management

Our financial management risk is rated as moderate.

WorkSafeBC's management has a responsibility to maintain cost-effectiveness and accountability in the services we deliver. As such, we have implemented a system of internal controls to ensure appropriate financial policies and procedures are in place, in addition to ensuring the reliability of our financial information and reporting.

Claim and administration costs are managed through formal budgeting, monthly reporting, and variance analysis procedures. Our claim management system and Business Information and Analysis department provide management reports and analysis to help us manage claim costs. Administration costs are compared against other jurisdictions. They are reported in KPI #9 (see page 39).

Fraud and abuse are risks faced by every organization, particularly those with an insurance function. Through a fraud prevention strategy, WorkSafeBC is committed to effective fraud risk management.

### Legislation and policy

Our legislation and policy risk is considered moderate. Every day, WorkSafeBC employees make thousands of decisions regarding compensation, prevention, assessment, and rehabilitation affecting workers and employers. To improve consistency in decision making and ensure compliance with applicable legislation, regulation, and policy, this process is subject to both internal review and external appeal. See KPI #10 (page 41) for a further discussion on decision-making improvement efforts.

### Human resources

WorkSafeBC's human resources risk is classed as moderate. Our Human Resources division monitors risk factors associated with employee training and development, talent management and succession planning, staff health and safety, and labour relations, ensuring appropriate plans are in place to mitigate related risks.

### Information infrastructure

Our information infrastructure risk has been rated as moderate. As we rely on information technology to successfully fulfill our mandate, the security of personal records, reliability of data, and robustness of information systems are essential to our operations. To mitigate the risk of a system failure or breach, WorkSafeBC has developed and maintains security measures to protect all critical data and systems. We also maintain and regularly test a technology recovery plan that, if activated, would allow key systems to be restored so essential services could be maintained.

### Strategic

WorkSafeBC's strategic risk is considered moderate. Our Board of Directors is legislatively responsible for setting the organization's priorities and planning for its future.

In 2011, the Board approved a new strategic plan to address challenges in the operating environment that WorkSafeBC is likely to face in the coming years. This strategic plan is outlined in the performance section of this annual report; progress in meeting our objectives is measured and discussed starting on page 20.

## Accounting standards

The financial statements in this annual report were prepared in accordance with International Financial Reporting Standards (IFRS). Accounting standards continue to evolve and some future changes could significantly impact WorkSafeBC's financial reporting. International Accounting Standards Board (IASB) projects currently underway that WorkSafeBC is closely monitoring include: insurance contracts (IFRS 4 Phase 2) and related anticipated amendments to financial instruments (IFRS 9), and leases (IAS 17).

# Consolidated Financial Statements

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## Responsibility for financial reporting

WorkSafeBC's management is responsible for preparing the accompanying consolidated financial statements in accordance with International Financial Reporting Standards. These consolidated financial statements include some amounts based on management's best estimates and judgments.

Management is responsible for the integrity and fairness of the consolidated financial statements and has established systems of internal control to provide reasonable assurance that relevant and reliable financial information is produced and that assets are safeguarded from loss.

The Board of Directors is responsible for overseeing management in the performance of its financial reporting responsibilities and has approved the consolidated financial statements and other financial information included in this annual report.

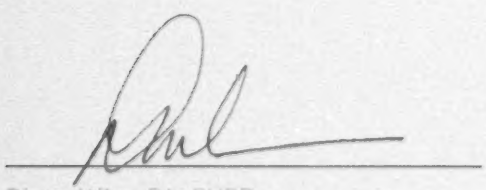
The Audit Committee assists the Board of Directors in discharging its responsibilities. This committee reviews and recommends approval of the consolidated financial statements and meets periodically with management, internal and external actuaries, and internal and external auditors concerning internal controls and all other matters relating to financial reporting.

WorkSafeBC's actuarial staff performs an annual actuarial valuation of the claim benefit liabilities included in the consolidated financial statements of WorkSafeBC.

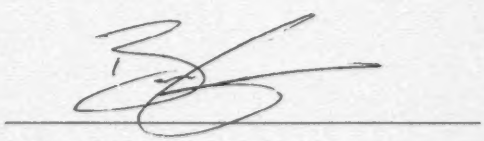
Eckler Ltd. has been appointed as the independent peer review actuary to WorkSafeBC. Its role is to complete an independent review of the annual actuarial valuation of the claim benefit liabilities included in WorkSafeBC's consolidated financial statements, and to report thereon in accordance with accepted actuarial practice.

The Internal Audit department performs audits to test the adequacy and consistency of WorkSafeBC's internal controls, practices, and procedures.

WorkSafeBC's external auditor is the Auditor General of British Columbia. The Auditor General has full and unrestricted access to the Audit Committee. The Auditor General has performed an independent audit of WorkSafeBC's consolidated financial statements in accordance with Canadian generally accepted auditing standards. The Auditor General's report outlines the scope of this independent audit and his opinion on the consolidated financial statements of WorkSafeBC.



Diana Miles, BA, CHRP
President and Chief Executive Officer
WorkSafeBC



Brian Erickson, MBA, CPA, CGA
Chief Financial Officer
WorkSafeBC

April 22, 2015

## INDEPENDENT AUDITOR'S REPORT

*To the Board of Directors of the Workers' Compensation Board of British Columbia, and*
*To the Minister of Jobs, Tourism and Skills Training and Minister Responsible for Labour,*
*Province of British Columbia*

I have audited the accompanying consolidated financial statements of the Workers' Compensation Board of British Columbia ("the Entity"), which comprise the consolidated statement of financial position as at December 31, 2014, and the consolidated statement of comprehensive income, the consolidated statement of changes in funded position, and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

***Management's Responsibility for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

In my view, the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

***Opinion***

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Workers' Compensation Board of British Columbia as at December 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Carol Bellringer

*Victoria, British Columbia*
April 24, 2015

Carol Bellringer, CPA, FCA
Auditor General

## Consolidated statement of financial position
## ($ Canadian thousands)

Exhibit 1

| | Note | December 31, 2014 | December 31, 2013 |
|---|---|---|---|
| Assets | | | |
| Receivables | 3 | 419,924 | 407,612 |
| Portfolio investments | 4 | 14,624,835 | 13,604,254 |
| Property and equipment | 5 | 199,170 | 206,471 |
| Intangible assets | 5 | 76,678 | 80,593 |
| Benefit asset of employee pension plan | 9 | 63,260 | 173,002 |
| **Total assets** | | **15,383,867** | **14,471,932** |
| Liabilities and funded position | | | |
| Cash and outstanding payments | 6 | 23,170 | 24,662 |
| Payables and accruals | 7 | 59,225 | 122,930 |
| Injured workers' retirement benefit liability | 8 | 42,985 | 29,727 |
| Employee benefit liabilities | 9 | 351,914 | 297,556 |
| Claim benefit liabilities | 10 | 11,385,921 | 11,139,881 |
| **Total liabilities** | | **11,863,215** | **11,614,756** |
| Unappropriated balance | Exhibit 3 | 1,348,248 | 1,387,863 |
| Accumulated other comprehensive loss | Exhibit 3 | (226,596) | (82,687) |
| Reserves | 11 | 2,399,000 | 1,552,000 |
| **Total funded position** | Exhibit 3 | **3,520,652** | **2,857,176** |
| | | **15,383,867** | **14,471,932** |

The accompanying notes are an integral part of the consolidated financial statements.

Authorized for issue on April 22, 2015, on behalf of the WorkSafeBC Board of Directors:

George Morfitt, CPA, FCA
Chair, Board of Directors
WorkSafeBC

Alan Cooke, FCIA, FSA
Chair, Audit Committee
WorkSafeBC

## Consolidated statement of comprehensive income for the years ended December 31 ($ Canadian thousands) Exhibit 2

| | Note | 2014 | 2013 |
|---|---|---|---|
| Income | | | |
| Premiums | 12 | | |
| Rateable employers | | 1,329,557 | 1,211,301 |
| Self-insured employers | 13 | 13,833 | 28,583 |
| | | 1,343,390 | 1,239,884 |
| Investments | 4 | | |
| Interest income | | 221 | 135 |
| Income distributions from pooled funds | | 484,778 | 455,649 |
| Income from investment entities | | 71,511 | 54,779 |
| Net realized gains on investments | | 315,070 | 251,281 |
| Net unrealized gains on investments | | 586,859 | 785,262 |
| | | 1,458,439 | 1,547,106 |
| Other income | 14 | 9,809 | 3,999 |
| **Total income** | | **2,811,638** | **2,790,989** |
| Expenses | | | |
| Claim costs | 10 | | |
| Benefit payments | | 1,531,507 | 1,527,727 |
| Changes in actuarial valuation of benefit liabilities | | 246,040 | 423,851 |
| | | 1,777,547 | 1,951,578 |
| Prevention and administration costs | 15 | | |
| Prevention costs | | 64,314 | 61,647 |
| Administration costs | | 355,799 | 362,658 |
| Less: Claim administration costs | | (246,093) | (244,359) |
| | | 174,020 | 179,946 |
| Injury research and reduction initiatives | 16 | 12,421 | 12,646 |
| Investment costs | 4 | 34,192 | 28,238 |
| Bad debt expense (recovery) | 3 | 6,073 | (3,171) |
| **Total expenses** | | **2,004,253** | **2,169,237** |
| **Surplus for the year** | | **807,385** | **621,752** |
| Other comprehensive income (loss) | | | |
| Items that will not be subsequently reclassified to income or expenses | | | |
| Actuarial gains (losses) on employee benefit plans | 9 | (143,909) | 206,666 |
| **Total comprehensive income** | | **663,476** | **828,418** |

The accompanying notes are an integral part of the consolidated financial statements.

## Consolidated statement of changes in funded position
## ($ Canadian thousands)

Exhibit 3

| | Note | December 31, 2014 | December 31, 2013 |
|---|---|---|---|
| Unappropriated balance — opening balance | | 1,387,863 | 766,111 |
| Surplus from operations for the year | Exhibit 2 | 807,385 | 621,752 |
| Appropriation to Capital Adequacy Reserve | 11 | (847,000) | — |
| **Unappropriated balance — closing balance** | | **1,348,248** | **1,387,863** |
| Accumulated other comprehensive loss — opening balance | | (82,687) | (289,353) |
| Actuarial gains (losses) of employee benefit plans | 9 | (143,909) | 206,666 |
| **Accumulated other comprehensive loss — closing balance** | | **(226,596)** | **(82,687)** |
| Reserves — opening balance | 11 | 1,552,000 | 1,552,000 |
| Appropriation to Capital Adequacy Reserve from unappropriated balance | | 847,000 | — |
| **Reserves — closing balance** | | **2,399,000** | **1,552,000** |
| **Total funded position** | | **3,520,652** | **2,857,176** |

The accompanying notes are an integral part of the consolidated financial statements.

## Consolidated statement of cash flows for the years ended December 31 ($ Canadian thousands) — Exhibit 4

| | Note | 2014 | 2013 |
|---|---|---|---|
| Cash obtained from (used for) operating activities | | | |
| Cash received from: | | | |
| Employers' premiums | | 1,336,546 | 1,234,727 |
| Other | | 9,809 | 3,999 |
| | | 1,346,355 | 1,238,726 |
| Cash paid to: | | | |
| Claimants or third parties on behalf of claimants | | (1,285,414) | (1,283,367) |
| Employees and vendors for goods and services | | (399,220) | (357,589) |
| | | (1,684,634) | (1,640,956) |
| **Net cash flow from (used for) operating activities** | | **(338,279)** | **(402,230)** |
| Cash obtained from (used for) investing activities: | | | |
| Interest income | | 221 | 135 |
| Sale of portfolio investments (net of external investment management fees — see note 4) | | 2,822,530 | 4,067,305 |
| Purchase of portfolio investments | | (2,461,166) | (3,655,517) |
| Sale of property, equipment, and intangible assets | | 327 | 188 |
| Purchase of property, equipment, and intangible assets | | (22,141) | (25,236) |
| **Net cash flow from investing activities** | | **339,771** | **386,875** |
| Net increase (decrease) in cash | | 1,492 | (15,355) |
| Cash — January 1 | | (24,662) | (9,307) |
| **Cash — December 31** | 6 | **(23,170)** | **(24,662)** |

The accompanying notes are an integral part of the consolidated financial statements.

# Notes to the consolidated financial statements for the year ended December 31, 2014

## Note 1 — Nature of operations

### General information

WorkSafeBC administers the *Workers Compensation Act* (the Act), enacted by the British Columbia (B.C.) Legislature in 1917. The Act was amended in 2002 and 2003 by the *Workers Compensation Amendment Act* (Bill 49 and Bill 63), and by the *Skills Development and Labour Statutes Amendment Act* (Bill 37).

WorkSafeBC has its corporate office in Richmond, B.C., Canada, with area offices in various locations throughout the province of British Columbia.

Under the Act, WorkSafeBC's primary functions include: promoting occupational health and safety; compensating for occupational injury, disease, or death; rehabilitating injured workers; collecting the funds necessary for its operations from employers covered under the Act; and managing the portfolio investments.

Premium rates are established at a level to provide for current and future costs of claims and operations arising from current claims, subject to a capping policy to moderate excessive changes in rates from year to year. WorkSafeBC may also levy a special premium when considered appropriate. For rate-setting purposes, unappropriated balance and accumulated other comprehensive income (loss) are amortized on a five-year averaging basis through adjustments to future premium rates.

WorkSafeBC does not receive government funding or other assistance. It is required by the Act to maintain an Accident Fund sufficient to meet all present and future costs and liabilities for injuries arising in the current and previous years. The financial strategy of WorkSafeBC is to accumulate adequate capital reserves to mitigate the risks in its assets and liabilities. While International Financial Reporting Standards (IFRS) is the basis of reporting its consolidated financial statements, WorkSafeBC applies a smoothed accounting method for its funding policy (see financial context, page 14). This funding policy helps WorkSafeBC avoid premium rate volatility caused by short-term financial market fluctuations.

## Note 2 — Significant accounting policies ($ Canadian thousands)

### Basis of preparation

WorkSafeBC's consolidated financial statements have been prepared in accordance with IFRS in effect as at December 31, 2014, adopted by the Canadian Accounting Standards Board as Canadian generally accepted accounting principles for publicly accountable enterprises. WorkSafeBC presents its consolidated statement of financial position in order of liquidity. The principal accounting policies applied in preparing the consolidated financial statements are set out below.

### Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis, except for the carrying value of land which was measured at deemed cost (fair value at the date of transition to IFRS), and certain financial assets and liabilities, measured at fair value, as explained in the accounting policies below.

### Basis of consolidation

WorkSafeBC invests in private placements, foreign real estate, and strategic assets through investment entities. In each case, WorkSafeBC owns 100 percent of the participating, non-voting shares of the entity and the British Columbia Investment Management Corporation (bcIMC), WorkSafeBC's investment manager, owns one non-participating voting share of the entity. The voting share gives bcIMC full authority to manage these investment entities on WorkSafeBC's behalf. WorkSafeBC controls the investment entities as WorkSafeBC is exposed to, or has rights to, variable returns from its involvement with these entities and has ability to affect those returns through its power over the entities. The substance of the relationship between WorkSafeBC and the investment entities indicates they are controlled by WorkSafeBC. The investment entities are fully consolidated from the date on which control is transferred to WorkSafeBC. They are deconsolidated from the date that control ceases. WorkSafeBC has consolidated financial statements of 61 (2013: 60) investment entities within these financial statements.

## Note 2 — continued

Transactions, balances, and unrealized gains/losses on transactions between WorkSafeBC and the investment entities are eliminated.

### Use of estimates and measurement uncertainty

*In accordance with IFRS*, WorkSafeBC's consolidated financial statements include management's judgments, assumptions, and estimates of the reported amounts of assets and liabilities as at the date of the consolidated financial statements, as well as the reported amounts of revenues and expenses during the reporting periods presented. As a result, some of the reported amounts are subject to measurement uncertainty. Measurement uncertainty exists when there is a variance between the recognized amount and another reasonable amount. Assumptions and estimates are reviewed on an ongoing basis, with any related revisions recorded in the period when they are adjusted. Consequently, actual results may differ from management's best estimates by material amounts. Claim benefit liabilities and costs (see Note 10); claim administration costs (see Note 10); accrued premiums (see Note 12); employee benefit assets, liabilities, and costs (see Note 9); and Level 3 portfolio investments (see Note 4) are the most significant items reflecting estimates in these consolidated financial statements.

### Specific accounting policies and related critical judgments

To facilitate better understanding of WorkSafeBC's consolidated financial statements, significant accounting policies, and related critical judgments, where applicable, are disclosed in the notes of the accounting topics.


| Note | Topic | Page |
|---|---|---|
| 3 | Receivables | 74 |
| 4 | Portfolio investments | 76 |
| 5 | Property, equipment, and intangible assets | 87 |
| 6 | Cash and outstanding payments | 90 |
| 7 | Payables and accruals | 90 |
| 8 | Injured workers' retirement benefit liability | 91 |
| 9 | Employee benefit assets, liabilities, and costs | 92 |
| 10 | Claim benefit liabilities and costs | 101 |
| 11 | Reserves | 110 |
| 12 | Premiums | 112 |
| 13 | Self-insured employers | 113 |
| 14 | Other income | 114 |
| 15 | Prevention and administration costs | 114 |
| 16 | Injury research and reduction initiatives | 115 |


### Changes in accounting policy

International Financial Reporting Standards that came into effect during the year

Amended IFRS 10 *(Consolidated Financial Statements)*, along with IFRS 12 *(Disclosures of Interests in Other Entities)*, and IAS 27 *(Consolidated and Separate Financial Statements)* relating to disclosures pertaining to investment entities, were issued in October 2012 and effective for annual periods beginning on or after January 1, 2014, with early adoption permitted. As WorkSafeBC consolidates its investment entities within its financial statements, the consolidated financial statements were not materially affected by these amendments.

IFRIC 21 *(Levies)*, an interpretation of IAS 37 *(Provisions, Contingent Liabilities and Contingent Assets)* regarding the accounting for government levies, became effective for annual reporting periods beginning on or after January 1, 2014 and had no material impact on the consolidated financial statements.

Narrow scope amendments to IAS 19R *(Employee Benefits)*, effective from July 1, 2014, simplified the accounting for contributions independent of the number of years of employee service. Additionally IAS 32 *(Financial Instruments: Presentation)* was amended, effective for reporting periods beginning on or after January 1, 2014, clarifying the offsetting of financial assets and financial liabilities. WorkSafeBC's consolidated financial statements were not materially affected by these amendments.

International Financial Reporting Standards issued but not in effect in 2014

WorkSafeBC early adopted IFRS 9 (2010) *(Financial Instruments: Classification and Measurement)* as part of the transition to IFRS as the basis for financial statement presentation in 2010 (see Note 4). IFRS 9 (2014) *(Financial Instruments)* was issued in July 2014, with mandatory adoption for reporting periods on or before January 1, 2018; early adoption is permitted. IFRS 9 (2014) permits a new measurement category, Fair Value through Other

## Note 2 — continued

Comprehensive Income (FVOCI), for business models whereby some financial instruments are held for the purpose of collecting contractual cash flows and for sale purposes. IFRS 9 (2014) also contains a new impairment model which will result in earlier recognition of losses. WorkSafeBC is considering the impacts of this revised standard in conjunction with future implementation of Phase 2 of IFRS 4 *(Insurance Contracts)*.

IFRS 15 *(Revenues from Contracts with Customers)* was issued in May 2014; it replaced IAS 18 *(Revenue)*, IAS 11 *(Construction Contracts)*, and related interpretations on revenue recognition. The new standard is effective for reporting periods beginning January 1, 2017, with earlier adoption permitted. WorkSafeBC's consolidated financial statements are not expected to be materially affected by this standard.

Amendments to IAS 16 *(Property, Plant and Equipment)* and IAS 38 *(Intangible Assets)*, issued in May 2014 and effective for annual periods beginning on or after January 1, 2016, clarified acceptable methods for depreciation and amortization. WorkSafeBC's consolidated financial statements will not be materially affected by these amendments.

### Future accounting and reporting changes

The IASB is continually working to improve and develop new accounting standards and has issued several exposure drafts of new standards that are expected to come into effect over the next several years. WorkSafeBC regularly monitors IASB work plans and publications to assess any potential impact on WorkSafeBC.

Revisions to standards that could have significant impact on WorkSafeBC include Phase 2 of IFRS 4 *(Insurance Contracts)* and IAS 17 *(Leases)*. As at December 31, 2014 these projects were in the exposure draft phase of development; thus, the impact of new or amended standards could not be determined.

## Note 3 — Receivables ($ Canadian thousands)

### Accounting policy

Receivables are non-derivative financial assets, not quoted in an active market, with fixed or determinable payments. They primarily arise from premiums, but also incorporate other types of contractual monetary assets. Under IFRS 9 they are classified as amortized cost financial assets and recorded at fair value on initial recognition; they are subsequently measured at amortized cost. The carrying value of these items approximates fair value.

### Accrued premiums

Employers are required to periodically report their assessable payrolls and remit the premiums owing. The employer deadline for reporting and remitting for the period ending December 31 is not until after year-end, so WorkSafeBC estimates the unremitted portion of premium revenue. The accrual of premiums is calculated using the estimated assessable payroll for the year and applying current-year premium rates. The estimated assessable payroll is determined using the actual reported payroll and projected payroll to December 31, taking into account economic changes in the province.

### Self-insured employers

The receivable from self-insured employers represents a provision for expected future costs of current claims for self-insured classes, for which the final settlement has not been determined. The receivable also includes unpaid current billings.

## Note 3 — continued

### Receivables

| | December 31, 2014 | December 31, 2013 |
|---|---|---|
| Premiums receivable | | |
| Premiums and accrued premiums (Note 12) | 308,984 | 287,455 |
| Self-insured employers (Note 13) | 105,184 | 118,966 |
| | 414,168 | 406,421 |
| Prepaid expenses | 13,666 | 9,372 |
| Other receivables | 18,938 | 16,411 |
| Provision for doubtful accounts | (26,848) | (24,592) |
| **Total** | **419,924** | **407,612** |

Changes in the provision for doubtful accounts are as follows:

| | Premiums receivable | Other receivables | Total |
|---|---|---|---|
| January 1, 2013 | **23,700** | **8,446** | **32,146** |
| Additions | 7,848 | 4,902 | 12,750 |
| Write-offs | (4,829) | (3,415) | (8,244) |
| Reductions | (11,019) | (1,041) | (12,060) |
| December 31, 2013 | **15,700** | **8,892** | **24,592** |
| Additions | 11,052 | 4,201 | 15,253 |
| Write-offs | (5,173) | (2,405) | (7,578) |
| Reductions | (4,979) | (440) | (5,419) |
| December 31, 2014 | **16,600** | **10,248** | **26,848** |

The total net addition to the provision for doubtful accounts in relation to premiums receivable in 2014 is $6,073 (2013: net reduction of $3,171).

The current portion of receivables is estimated to be $329,951 (2013: $313,018).

#### Credit risk

Premiums receivable are from the employers of B.C. and comprise the full range of credit ratings of all employers. Their credit risk is largely subject to the economic circumstances they face; in periods of economic slowdown, credit risk is increased if some employers experience financial difficulties.

Other receivables, not past due or impaired, have minimal credit risk due to the nature of the counter-party. These are primarily composed of: the goods and services tax (GST) refund receivable from the Government of Canada as at December 31, 2014 of $1,101 (December 31, 2013: $2,324) and vendor deposits as at December 31, 2014 of $1,584 (December 31, 2013: $1,519). For the remainder of other receivables, the maximum exposure of credit risk is the carrying value of $6,005 (2013: $3,676).

## Note 3 — continued

### Liquidity risk

The age of receivables past due but not impaired is as follows:

| | December 31, 2014 | December 31, 2013 |
|---|---|---|
| 0–90 days | 5,988 | 6,073 |
| 91–180 days | 2,353 | 2,304 |
| 181–360 days | 5,201 | 5,586 |
| 361+ days | 2,720 | 2,972 |
| **Total** | **16,262** | **16,935** |

Accounts receivable determined to be individually impaired include: employer accounts on which WorkSafeBC has obtained judgments attaching liens to land and insolvent accounts, of $5,381 as at December 31, 2014 (December 31, 2013: $4,496), and other specific employers with evidence of unlikely collection totalling $3,479 (December 31, 2013: $2,884).

## Note 4 — Portfolio investments ($ Canadian thousands)

### Accounting policy

WorkSafeBC invests in fixed-income, equity, inflation-sensitive, and other investments. The inflation-sensitive category includes asset classes with valuations that are affected by the inflation rate over the long term. The investments are held directly, through pooled fund products, and through investment entities managed by the British Columbia Investment Management Corporation (bcIMC).

### Classification

IFRS 9 (2010) *(Financial Instruments: Classification and Measurement)* was early adopted effective January 1, 2011. This standard requires that reporting entities classify financial assets based on the objective of an entity's business model for managing its financial assets and the characteristics of the contractual cash flows. IFRS 9 (2010) permits two classifications for financial assets: fair value through profit or loss (FVTPL) and amortized cost.

All WorkSafeBC's portfolio investments, except directly held real-return bonds, are classified as FVTPL investments. As permitted under IFRS 9 (2010), WorkSafeBC elected to designate its investment in directly held real-return bonds as FVTPL investments.

All portfolio investments are reported at fair value. The amounts by which fair value for these investments differ from cost represent unrealized gains or losses; unrealized gains or losses are recognized as investment income on the consolidated statement of comprehensive income.

### Unconsolidated structured entities

WorkSafeBC invests in pooled funds, with objectives ranging from achieving short-term investment income to long-term capital growth. As at December 31, 2014, WorkSafeBC's interests ranged from 0 percent (rounded) to 62 percent of the net assets of pooled funds held directly (2013: 0–41 percent), and varying percentages of pooled funds held through investment entities — none individually significant. WorkSafeBC's investments in these funds do not satisfy the elements for control and have not been consolidated. The majority of funds are managed by bcIMC. WorkSafeBC holds redeemable units in each of its investee funds that entitle the holder to a proportional share in the respective fund's net assets.

These investments are carried at fair value and presented as part of the portfolio investments in the consolidated statement of financial position. The change in fair value of the pooled funds is included in the consolidated statement of comprehensive income in net unrealized gains on investments.

## Note 4 — continued

WorkSafeBC's maximum exposure to loss from its interest in the pooled funds is equal to the total fair value of its investments.

### Recognition and measurement

WorkSafeBC uses trade-date accounting for the purchase and sale of all financial instruments in its investment portfolio. Transactions are recorded on the date an agreement is entered (the trade date), not on the date the transaction is finalized (the settlement date). If the transaction involves interest, it is also recorded on the trade date. Where there are investment transactions pending settlement at December 31, this is disclosed as a receivable or payable (see Notes 3 and 7).

WorkSafeBC's portfolio investments are measured at fair value. The fair value of foreign currency exchange contracts and the directly held real-return bond are based on quoted prices. Pooled funds are valued based on WorkSafeBC's share of the net asset value of the pooled fund. The fair values of foreign real estate, private placement, renewable resources, and infrastructure investments are based on the fair values of the net assets and supported by independent appraisals using the most appropriate valuation techniques for each investment type (see below — fair value hierarchy).

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amount and an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. Currency hedging contracts are accounted for on this basis.

Investments denominated in foreign currency are translated into Canadian dollars at the exchange rate in effect at the consolidated statement of financial position date. Revenues and expenses are translated at the exchange rates in effect on the transaction date. Foreign currency exchange gains/losses for these investments are recorded in the same manner as other investment gains or losses.

### Income recognition

Investment income includes interest income, income distributions from pooled funds, and income from investment entities.

For directly held real-return bonds, WorkSafeBC applies the effective interest rate method for income recognition.

WorkSafeBC recognizes investment income from pooled funds when the income is distributed from the fund to unitholders. These distributions are automatically reinvested into the pool.

Income from private placement, infrastructure, renewable resources, and foreign real estate investment vehicles is recognized through consolidation (see Note 2 — basis of consolidation). The consolidated financial statements include the investment entities' income and expenses, with all inter-company transactions eliminated on consolidation.

Fair value adjustments at the reporting date are disclosed as unrealized gains or losses in the consolidated statement of comprehensive income. When an investment is sold, the cumulative unrealized gain or loss is reclassified as a realized gain or loss in investment income on the consolidated statement of comprehensive income in the year of disposition.

### Current portion

The realization of portfolio investments is dependent upon operational needs to ensure adequate cash is available for payment of WorkSafeBC's obligations, mainly benefit liabilities (see Note 10 for the estimated percentage of payments expected for the next 12 months) and administration expenses.

## Note 4 — continued

### Portfolio investments

| | December 31, 2014 | | | |
|---|---|---|---|---|
| | Investments in pooled funds | Investments held directly | Investments held through investment entities | Total |
| **Fixed-income investments** | | | | |
| Money market funds | 297,605 | — | — | 297,605 |
| Bond funds | 2,502,086 | — | — | 2,502,086 |
| Mortgage fund | 367,638 | — | — | 367,638 |
| | 3,167,329 | — | — | 3,167,329 |
| **Equity investments** | | | | |
| Canadian index equity fund | 674,430 | — | — | 674,430 |
| Active Canadian equity funds | 1,006,604 | — | — | 1,006,604 |
| U.S. index equity fund | 306,054 | — | — | 306,054 |
| Active U.S. equity funds | 1,518,586 | — | — | 1,518,586 |
| Active international equity funds | 1,430,977 | — | — | 1,430,977 |
| Active global equity funds | 635,003 | — | — | 635,003 |
| Emerging markets equity funds | 649,773 | — | — | 649,773 |
| Currency hedging contracts | — | 785 | — | 785 |
| Private placements | — | — | 782,030 | 782,030 |
| | 6,221,427 | 785 | 782,030 | 7,004,242 |
| **Inflation-sensitive investments** | | | | |
| Real-return bond | — | 5,702 | — | 5,702 |
| Real-return bond fund | 276,501 | — | — | 276,501 |
| Infrastructure | — | — | 826,423 | 826,423 |
| Renewable resources | — | — | 220,347 | 220,347 |
| Domestic real estate fund | 2,520,336 | — | — | 2,520,336 |
| Foreign real estate | — | — | 212,553 | 212,553 |
| Currency hedging contracts | — | (7,646) | — | (7,646) |
| | 2,796,837 | (1,944) | 1,259,323 | 4,054,216 |
| **Other investments** | | | | |
| All Weather Fund | 399,048 | — | — | 399,048 |
| **Total** | **12,584,641** | **(1,159)** | **2,041,353** | **14,624,835** |

## Note 4 — continued

### Portfolio investments

| | December 31, 2013 | | | |
|---|---|---|---|---|
| | Investments in pooled funds | Investments held directly | Investments held through investment entities | Total |
| **Fixed-income investments** | | | | |
| Money market fund | 154,339 | — | — | 154,339 |
| Bond funds | 2,365,069 | — | — | 2,365,069 |
| Mortgage fund | 424,595 | — | — | 424,595 |
| | 2,944,003 | — | — | 2,944,003 |
| **Equity investments** | | | | |
| Canadian index equity fund | 759,882 | — | — | 759,882 |
| Active Canadian equity funds | 932,181 | — | — | 932,181 |
| U.S. index equity fund | 376,353 | — | — | 376,353 |
| Active U.S. equity funds | 1,417,991 | — | — | 1,417,991 |
| Active international equity funds | 1,482,463 | — | — | 1,482,463 |
| Active global equity fund | 532,437 | — | — | 532,437 |
| Emerging markets equity funds | 443,780 | — | — | 443,780 |
| Currency hedging contracts | — | (2,217) | — | (2,217) |
| Private placements | — | — | 728,470 | 728,470 |
| | 5,945,087 | (2,217) | 728,470 | 6,671,340 |
| **Inflation-sensitive investments** | | | | |
| Real-return bond | — | 5,369 | | 5,369 |
| Real-return bond fund | 245,169 | — | | 245,169 |
| Infrastructure | — | — | 749,166 | 749,166 |
| Renewable resources | — | — | 187,609 | 187,609 |
| Domestic real estate fund | 2,413,509 | — | — | 2,413,509 |
| Foreign real estate | — | — | 182,826 | 182,826 |
| Currency hedging contracts | — | (4,551) | — | (4,551) |
| | 2,658,678 | 818 | 1,119,601 | 3,779,097 |
| **Other investments** | | | | |
| All Weather Fund | 209,814 | — | — | 209,814 |
| **Total** | **11,757,582** | **(1,399)** | **1,848,071** | **13,604,254** |

## Note 4 — continued

Hedging contracts assets and liabilities offset

WorkSafeBC has an enforceable right of offset with counterparties for its currency hedging contract sets, and intends to settle these on a net basis. All contracts have settlement dates within one year. The following table discloses the gross amounts of hedging contracts offset within the tables above.

| | Gross amount of receivable contracts | Gross amount of payable contracts | Net amount offset presented in the consolidated statement of financial position | Allocated to: Equity investments | Allocated to: Inflation-sensitive investments |
|---|---|---|---|---|---|
| December 31, 2014 | | | | | |
| Liabilities | 521,430 | (538,282) | (16,852) | (3,210) | (13,642) |
| Assets | 488,229 | (478,238) | 9,991 | 3,995 | 5,996 |
| **Net total liabilities presented in portfolio investment assets** | | | **(6,861)** | **785** | **(7,646)** |
| December 31, 2013 | | | | | |
| Liabilities | 384,011 | (391,540) | (7,529) | (2,893) | (4,636) |
| Assets | 130,692 | (129,931) | 761 | 676 | 85 |
| **Net total liabilities presented in portfolio investment assets** | | | **(6,768)** | **(2,217)** | **(4,551)** |

## Investment income

| | 2014 | | | | |
|---|---|---|---|---|---|
| | Fixed-income investments | Equity investments | Inflation-sensitive investments | Other investments | Total |
| Interest income | — | — | 221 | — | 221 |
| Income distributions from pooled funds | 110,676 | 306,030 | 68,072 | — | 484,778 |
| Income from investment entities | | | | | |
| Infrastructure | — | — | 43,656 | — | 43,656 |
| Private placements | — | 20,418 | — | — | 20,418 |
| Foreign real estate | — | — | 4,424 | — | 4,424 |
| Renewable resources | — | — | 3,013 | — | 3,013 |
| | — | 20,418 | 51,093 | — | 71,511 |
| Realized gains on investments | 23,942 | 266,596 | 23,340 | 1,192 | 315,070 |
| Unrealized gains on investments | 57,894 | 307,068 | 204,443 | 17,454 | 586,859 |
| **Total** | **192,512** | **900,112** | **347,169** | **18,646** | **1,458,439** |

## Note 4 — continued

### Investment income — continued

| | 2013 | | | | |
|---|---|---|---|---|---|
| | Fixed-income investments | Equity investments | Inflation-sensitive investments | Other investments | Total |
| Interest income | — | — | 135 | — | 135 |
| Income distributions from pooled funds | 104,883 | 187,077 | 163,689 | — | 455,649 |
| Income from investment entities | | | | | |
| Infrastructure | — | — | 36,982 | — | 36,982 |
| Private placements | — | 14,281 | — | — | 14,281 |
| Foreign real estate | — | — | 2,218 | — | 2,218 |
| Renewable resources | — | — | 1,298 | — | 1,298 |
| | — | 14,281 | 40,498 | — | 54,779 |
| Realized gains on investments | 78,561 | 131,517 | 41,203 | — | 251,281 |
| Unrealized gains (losses) on investments | (198,309) | 983,048 | (6,613) | 7,136 | 785,262 |
| **Total** | **(14,865)** | **1,315,923** | **238,912** | **7,136** | **1,547,106** |

### Investment expenses

| | 2014 | 2013 |
|---|---|---|
| External investment management fees | 33,236 | 27,241 |
| Internal investment management fees | 956 | 997 |
| **Total** | **34,192** | **28,238** |

### Fair value hierarchy

Portfolio investments have been classified into a three-level fair value hierarchy in accordance with IFRS 7 *(Financial Instruments: Disclosures)*. Fair value hierarchy levels are defined as follows:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities. They offer the most persuasive evidence of fair value and are used whenever possible.
- Level 2 inputs are market-based inputs that are directly or indirectly observable but not considered Level 1-quoted prices. They consist of: i) quoted prices for similar assets or liabilities in active markets; ii) quoted prices for identical assets or liabilities in non-active markets (e.g., markets that have few transactions and prices are not current or price quotations vary substantially); iii) inputs other than quoted prices that are observable (e.g., interest rates, yield curves, volatilities, credit risks, and default rates); and iv) inputs derived from, or corroborated by, observable market data.
- Level 3 inputs are unobservable inputs. They reflect assumptions about market pricing using the best internal and external information available. The valuation approaches applied are the most appropriate for the type of investments.

The fair values of portfolio investments are adjusted to incorporate the counter-party risk of non-performance. In certain situations, WorkSafeBC uses inputs to measure the fair value of asset positions that fall into different levels of the fair value hierarchy. In these situations, WorkSafeBC will determine the level in which the fair value falls based on the lowest-level input that is significant to determining the fair value. Fund holdings is the unit of account applied for classification within the fair value hierarchy; as a result, WorkSafeBC does not have any Level 1 holdings. The fair values of assets and liabilities measured by level of input are as follows:

## Note 4 — continued

| | Quoted prices in active markets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) | Total |
|---|---|---|---|---|
| December 31, 2014 | | | | |
| Fixed-income investments | — | 3,167,329 | — | 3,167,329 |
| Equity investments | — | 6,222,212 | 782,030 | 7,004,242 |
| Inflation-sensitive investments | — | 274,557 | 3,779,659 | 4,054,216 |
| Other investments | — | 399,048 | — | 399,048 |
| **Total portfolio investments at fair value** | **—** | **10,063,146** | **4,561,689** | **14,624,835** |
| December 31, 2013 | | | | |
| Fixed-income investments | — | 2,944,003 | — | 2,944,003 |
| Equity investments | — | 5,942,870 | 728,470 | 6,671,340 |
| Inflation-sensitive investments | — | 245,987 | 3,533,110 | 3,779,097 |
| Other investments | — | 209,814 | — | 209,814 |
| **Total portfolio investments at fair value** | **—** | **9,342,674** | **4,261,580** | **13,604,254** |

Portfolio investments measured at a fair value using significant unobservable inputs (Level 3):

| | 2014 | 2013 |
|---|---|---|
| Opening balance as at January 1 | 4,261,580 | 3,833,576 |
| Net realized and unrealized gains | 304,224 | 181,100 |
| Purchases | 422,720 | 467,434 |
| Settlements | (426,835) | (220,530) |
| **Closing balance as at December 31** | **4,561,689** | **4,261,580** |

There were no transfers of assets between levels in either 2014 or 2013.

Unrealized gains of $1,062,435 attributable to assets held at December 31, 2014 (December 31, 2013: $887,618) are included within the gains in Level 3 equity instruments.

### Valuation techniques

WorkSafeBC's investment portfolio is measured at fair value on a recurring basis; fair values are determined as the net asset value, as provided by the fund administrator (bcIMC) for pooled funds. bcIMC obtains the values for each holding annually, as determined by external managers and valuators using accepted industry valuation methods most suitable for the type of business or property held by the funds.

## Note 4 — continued

The following table provides information regarding the valuation techniques employed for assets directly held by hierarchy level, and significant unobservable inputs for each.

| Level 2 assets | | Level 3 assets | |
|---|---|---|---|
| **Valuation technique** | **Significant unobservable inputs** | **Valuation technique** | **Significant unobservable inputs** |
| Market approaches: | | Market approaches: | |
| • Derived from external quotations | N/A | • Appraisals<br>• Third-party transactions | Adjustment to current conditions and attributes of comparables |
| • Net asset values provided by fund administrators | N/A | | |
| | | Income approaches: | |
| | | • Discounted cash flows | Longer-term operating margin and discount rate for lack of liquidity |
| | | • Earnings multiples | Variability of earnings and discount rate for lack of liquidity |

WorkSafeBC does not have sufficient information to provide sensitivities, with respect to changes to the unobservable inputs in the table above, on the fair values of the related investments.

### Investment risk management

WorkSafeBC's Board of Directors is responsible for developing policies to ensure adequate funding of the Accident Fund, and for approving investments of funds under Section 82(2)(c) of the *Workers Compensation Act*. To this end, the Board of Directors has developed an investment policy specifying the asset allocation target and limits for investing funds. To assist the Board in discharging these responsibilities, it has appointed an Investment Committee consisting of internal and independent external voting members. This committee manages WorkSafeBC's investment portfolio under the parameters set out by the Board of Directors' statement of investment policies and goals for the Accident Fund.

Under the direction of the Investment Committee, within the parameters established by the Board of Directors, management and investment of the portfolio is carried out by bcIMC.

Portfolio investment disclosures show the investments in pooled funds by type of fund (i.e., the primary investment focus), while investments held directly are shown by investment type. Many of the pooled funds hold cash, net investment receivables and payables, and/or small amounts of other investments outside their primary investment focus. For the purpose of describing WorkSafeBC's exposure to investment price and currency risks in pooled funds, the risk analysis has been prepared using the holdings of funds; thus, the risks described are indirect risks, and indivisibly linked to the exposure of the underlying fund assets.

#### Credit risk management

Credit risk on financial instruments arises from the possibility of a counter-party to an instrument failing to meet its obligations. Therefore, all issuers of debt instruments — including government, non-government, and other counter-parties — must have a strong credit rating to be eligible for consideration by WorkSafeBC as

## Note 4 — continued

a direct investment. For indirect investments in pooled funds, WorkSafeBC mitigates indirect credit risk exposure by ensuring the Accident Fund invests in pooled funds with investment policies that provide an adequate minimum credit rating, as determined by bcIMC's internal credit-rating process, and a well-diversified portfolio with limited exposure to any one entity, industry, or country. WorkSafeBC does not have material direct credit risk exposure.

### Foreign exchange risk management

WorkSafeBC holds investments directly and through investment entities that are denominated in foreign currencies and, as such, is directly exposed to the currency risks shown in the following table.

| | December 31, 2014 | December 31, 2013 |
|---|---|---|
| **Currency** | | |
| U.S. dollars | 1,248,034 | 1,062,270 |
| Other currencies | 478,595 | 449,253 |
| **Total** | **1,726,629** | **1,511,523** |

### Inflation risk management

WorkSafeBC is exposed to fluctuations in the inflation rate because its compensation benefits are indexed annually to the increase in the annual Canadian consumer price index (CPI), as measured in October each year, less one percent, up to a maximum annual rate of four percent and minimum of zero. To mitigate the effect of inflation on WorkSafeBC's future liabilities, the Accident Fund holds inflation-sensitive assets including real estate, infrastructure, renewable resources, and real-return bonds.

### Liquidity risk management

The Accident Fund is exposed to liquidity risk because it must provide funding for WorkSafeBC operations such as benefit payments and administration expenses. WorkSafeBC always maintains a portion of its investments in fixed-income pooled funds, which are highly liquid. WorkSafeBC has made commitments to participate in future funding for investment purchases (see Note 17). If necessary, units of pooled fund investments will be liquidated to satisfy these funding requirements.

There were no restrictions on the redemptions of WorkSafeBC's portfolio investments for the reporting period, except for those listed in the following table. Due to the absence of active markets, the investments listed in the table below cannot be sold or converted easily to cash in a timely and cost-effective manner.

| | December 31, 2014 | December 31, 2013 |
|---|---|---|
| **Equity investments** | | |
| Private placements | 782,030 | 728,470 |
| **Inflation-sensitive investments** | | |
| Infrastructure | 826,423 | 749,166 |
| Renewable resources | 220,347 | 187,609 |
| Domestic real estate fund | 2,520,336 | 2,413,509 |
| Foreign real estate | 212,553 | 182,826 |
| **Total** | **4,561,689** | **4,261,580** |

## Note 4 — continued

### Market risk

Market risk is the risk of loss in the value of portfolio investments that may arise due to changes in market factors such as public equity prices, interest rates, foreign exchange rates, and valuations of real estate, private placements, infrastructure, and renewable resources. These changes are subject to economic factors and other movements in global capital markets. As previously disclosed, market risk is managed by the Investment Committee through establishing investment policies that bcIMC must follow, as well as through risk monitoring and portfolio diversification. WorkSafeBC is exposed to varying levels of market risk depending on the type of investment and conditions within various global markets.

The following tables provide estimates of the potential dollar impact on the fair value of investments when there are material changes in key risk variables such as equity market indices, interest rates, currency exchange rates, and valuations of real estate, private placements, infrastructure, and renewable resources. Each table shows the potential impact of the risk under normal market conditions within the 12-month period following the statement of financial position date. It should be noted that each table shows the impact of the specific downside risk, independent of the correlation to other market variables, and that these estimates do not address worst-case scenarios or potential losses arising from even more extreme market conditions and events.

#### Price risk

The following table presents the estimated effect of a material adverse change in the equity index benchmark for each geographic category of the public equity investments through pooled funds. Standard deviations are based on historical values for the past five years of market benchmark indices ending on December 31.

| | One standard deviation | |
|---|---|---|
| | 2014 | 2013 |
| Percentage decrease in Canadian equity market benchmark | 10.2% | 12.6% |
| Estimated loss in fair value — Canadian equity pooled funds | $170,000 | $215,000 |
| Percentage decrease in global equity market benchmark | 13.1% | 11.1% |
| Estimated loss in fair value — global equity pooled funds (including U.S., global, and international) | $510,000 | $425,000 |
| Percentage decrease in emerging markets equity market benchmark | 17.0% | 15.5% |
| Estimated loss in fair value — emerging markets equity pooled funds | $110,000 | $70,000 |

The following table presents the estimated effect of a material adverse change in the valuations of WorkSafeBC's indirect investments in domestic real estate and All Weather pooled funds, and direct investments in foreign real estate, private placements, infrastructure, and renewable resources.

| Decline in value of assets | 10% | |
|---|---|---|
| | 2014 | 2013 |
| Estimated loss in fair value — domestic real estate fund | $250,000 | $240,000 |
| Estimated loss in fair value — foreign real estate | $20,000 | $20,000 |
| Estimated loss in fair value — private placements | $80,000 | $75,000 |
| Estimated loss in fair value — infrastructure | $85,000 | $75,000 |
| Estimated loss in fair value — renewable resources | $20,000 | $20,000 |
| Estimated loss in fair value — All Weather Fund | $40,000 | $20,000 |

## Note 4 — continued

The following table presents the estimated effect of a material adverse change in the valuations of WorkSafeBC's investments in fixed-income pooled funds and directly held real-return bond due to changes in the nominal and real interest rates.

| Basis points increase in nominal interest rate | 75bp | |
|---|---|---|
| | 2014 | 2013 |
| Estimated loss in fair value — money market pooled funds | $— | $— |
| Estimated loss in fair value — bond-pooled funds | $105,000 | $105,000 |
| Estimated loss in fair value — mortgage-pooled fund | $5,000 | $5,000 |
| Estimated loss in fair value — directly held real-return bond | $— | $— |
| Estimated loss in fair value — real-return bond fund | $35,000 | $30,000 |

### Currency risk

The following table presents the estimated effect of a material adverse change in the Canadian dollar/U.S. dollar and other currency exchange rates on foreign currency-based direct investments in foreign real estate, private placements, infrastructure, and renewable resources. For this analysis, the base exchange rates are those at December 31.

| Appreciation in the Canadian dollar (vs. U.S. dollar) | 10% | |
|---|---|---|
| | 2014 | 2013 |
| Estimated loss in fair value — foreign real estate, private placements, infrastructure, and renewable resources | $115,000 | $95,000 |

| Appreciation in the Canadian dollar (vs. other currencies) | 10% | |
|---|---|---|
| | 2014 | 2013 |
| Estimated loss in fair value — foreign real estate, private placements, infrastructure, and renewable resources | $45,000 | $40,000 |

#### Interest rate risk management

Fluctuations in interest rates can affect the fair value of the fixed-income portfolio and shift investor preferences among asset classes. WorkSafeBC's investments are directly exposed to interest rate risk through its investment in a real-return bond, and indirectly through its investments in fixed-income pooled funds. Interest rate risk is minimized by managing the duration of the fixed-income portfolio through a directly held real-return bond, which matures on December 1, 2026, and through investments in fixed-income pooled funds holding assets with different maturity terms.

#### Real estate risk management

Risk in the real estate portfolio is managed by investing across real estate types and locations. Adverse effects in any one segment of the market or geographic location are minimized through diversification, which includes investments in domestic real estate indirectly held through a pooled fund, and foreign real estate directly held through investment entities.

#### Encumbrances

As at December 31, 2014, the real-return bond valued at $5,702 (2013: $5,369) on a fair value basis was pledged as collateral for the issuance of a letter of credit to guarantee U.S. $2,053 of credit facilities for Transelec S.A., the largest electricity transmission company in Chile. It is expected this pledge will be required as long as the credit facilities are required by Transelec S.A.

## Note 5 — Property, equipment, and intangible assets ($ Canadian thousands)

### Accounting policies

#### Recognition and measurement

Property, equipment, and intangible assets are reported at historical cost less accumulated depreciation/amortization and any amount for impairment.

Operating systems represent the direct costs incurred in developing new internally generated systems. Costs are deferred and amortized on a straight-line basis on the date the asset is ready to use. Project costs incurred in the definition stage for feasibility studies are recognized in administration costs in the consolidated statement of comprehensive income as incurred.

Additions and subsequent expenditures are capitalized only to the extent they enhance future economic benefits expected to be derived from the asset — either a significant extension of the asset's expected useful life or major enhancements to the asset's functions.

Expenditures incurred to replace a component of an asset are separately capitalized and the replaced component is derecognized. All other expenditures, including maintenance, costs of minor enhancements, and costs of minor extension of an asset's useful life, are recognized in administration costs in the consolidated statement of comprehensive income as incurred.

Finance leases, which transfer substantially all the risks and benefits incidental to ownership of a leased item, are capitalized as assets at the inception of the lease, at the present value of the minimum lease payments. The carrying value of leased office equipment held under these finance leases at December 31, 2014 was $2,572 (December 31, 2013: $3,174). Under the terms of the leasing agreements, WorkSafeBC has pledged the assets as collateral for the liability and cannot assign, sell, or transfer these assets.

#### Measurement of land

WorkSafeBC elected to use fair value at the date of transition to IFRS (January 1, 2010) as the deemed cost for land — a one-time election available under IFRS 1 *(First-time Adoption of IFRS)*. The fair value of land at the transition date was $145,873 and the adjustment to the carrying amount of land was $142,113, recognized directly in the unappropriated balance. Fair value was determined by an independent property appraisal company with appropriate recognized professional qualifications and recent experience in the property location/type being appraised. Acquisitions of land subsequent to January 1, 2010 will be measured at historical cost.

#### Depreciation and amortization

Depreciation and amortization is charged to administration costs in the consolidated statement of comprehensive income beginning on the date the asset is ready for use, on a straight-line basis, over the asset's estimated useful life or the life of its major component. Useful lives and any residual values of assets are reviewed annually to take into account any change in circumstances, including technological obsolescence, redundancy due to change in business strategy or economic conditions, and physical deterioration or loss. Land is not depreciated as it is deemed to have an indefinite life.

The range of estimated useful lives of assets is captured in the following table.

| | |
|---|---|
| Property and equipment: | |
| Buildings | 10–40 years |
| Equipment | 2–7 years |
| Furniture | 10 years |
| Vehicles | 7 years |
| Intangible assets: | |
| Operating systems | 5–10 years |
| Computer software | 3 years |

### Impairment

Property, equipment, and intangible assets are assessed at each statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, the assets are subject to an impairment review. If an asset is impaired, an impairment loss is recognized in administration costs in the consolidated statement of comprehensive income.

When indicators of impairment exist, IAS 36 *(Impairment of Assets)* requires an entity to test assets for impairment. The impairment review must be conducted for an individual asset, an asset group, or the cash-generating unit level — the smallest identifiable group of assets that generates cash inflows independent of cash inflows from other assets or groups of assets.

## Note 5 — continued

Based on an analysis of cash flows, WorkSafeBC has established that the appropriate cash-generating unit for impairment review is the entity. As WorkSafeBC has statutory power under the *Workers Compensation Act* to increase premiums and/or impose levies to ensure full funding into the foreseeable future, impairment at the entity level is remote. On an annual basis, WorkSafeBC conducts a review to ensure no events or changes in circumstance have occurred that would provide evidence of impairment.

As at December 31, 2014 and December 31, 2013, management conducted an impairment indicator review at the entity level; those reviews confirmed no significant impairment indicators — changes in the legislative, economic, or business environment — that would have a material impact on WorkSafeBC's ability to generate future economic benefits from its operating (non-financial) assets.

### Property and equipment

| | Land | Buildings | Furniture and equipment | Vehicles | Total |
|---|---|---|---|---|---|
| Cost | 145,873 | 106,815 | 37,017 | 10,944 | 300,649 |
| Less: Accumulated depreciation | — | 65,194 | 24,270 | 7,675 | 97,139 |
| **Balance at January 1, 2013** | **145,873** | **41,621** | **12,747** | **3,269** | **203,510** |
| Changes during the year: | | | | | |
| Cost | | | | | |
| Additions | — | 3,324 | 8,931 | 2,460 | 14,715 |
| Disposals | — | (1,616) | (7,540) | (1,881) | (11,037) |
| Less: Accumulated depreciation | | | | | |
| Depreciation | — | 4,510 | 5,655 | 1,517 | 11,682 |
| Disposals | — | (1,616) | (7,510) | (1,839) | (10,965) |
| **Balance at December 31, 2013** | **145,873** | **40,435** | **15,993** | **4,170** | **206,471** |
| Representing: | | | | | |
| Cost | 145,873 | 108,523 | 38,408 | 11,523 | 304,327 |
| Less: Accumulated depreciation | — | 68,088 | 22,415 | 7,353 | 97,856 |
| **Balance at December 31, 2013** | **145,873** | **40,435** | **15,993** | **4,170** | **206,471** |
| Changes during the year: | | | | | |
| Cost | | | | | |
| Additions | — | 1,524 | 1,641 | 2,259 | 5,424 |
| Disposals | — | (13,631) | (7,297) | (1,836) | (22,764) |
| Less: Accumulated depreciation | | | | | |
| Depreciation | — | 5,399 | 5,860 | 1,425 | 12,684 |
| Disposals | — | (13,631) | (7,282) | (1,810) | (22,723) |
| **Balance at December 31, 2014** | **145,873** | **36,560** | **11,759** | **4,978** | **199,170** |
| Representing: | | | | | |
| Cost | 145,873 | 96,416 | 32,752 | 11,946 | 286,987 |
| Less: Accumulated depreciation | — | 59,856 | 20,993 | 6,968 | 87,817 |
| **Balance at December 31, 2014** | **145,873** | **36,560** | **11,759** | **4,978** | **199,170** |

Deferred costs of $392 are included in the buildings and $491 in furniture and equipment (2013: $1,371 and $12 respectively). Depreciation of these assets will begin when they are ready to use.

## Note 5 — continued

### Intangible assets

| | Computer software | Operating systems | Total |
|---|---|---|---|
| Cost | 18,485 | 217,617 | 236,102 |
| Less: Accumulated amortization | 14,219 | 135,272 | 149,491 |
| Balance at January 1, 2013 | **4,266** | **82,345** | **86,611** |
| Changes during the year: | | | |
| Cost | | | |
| Additions | 1,851 | 8,671 | 10,522 |
| Disposals | (753) | (10,646) | (11,399) |
| Less: Accumulated amortization | | | |
| Amortization | 665 | 15,556 | 16,221 |
| Disposals | (753) | (10,327) | (11,080) |
| Balance at December 31, 2013 | **5,452** | **75,141** | **80,593** |
| Representing: | | | |
| Cost | 19,583 | 215,642 | 235,225 |
| Less: Accumulated amortization | 14,131 | 140,501 | 154,632 |
| Balance at December 31, 2013 | **5,452** | **75,141** | **80,593** |
| Changes during the year: | | | |
| Cost | | | |
| Additions | 2,215 | 8,552 | 10,767 |
| Disposals | (640) | (4,390) | (5,030) |
| Less: Accumulated amortization | | | |
| Amortization | 979 | 13,672 | 14,651 |
| Disposals | (640) | (4,359) | (4,999) |
| Balance at December 31, 2014 | **6,688** | **69,990** | **76,678** |
| Representing: | | | |
| Cost | 21,158 | 219,804 | 240,962 |
| Less: Accumulated amortization | 14,470 | 149,814 | 164,284 |
| Balance at December 31, 2014 | **6,688** | **69,990** | **76,678** |

Included in the operating systems and computer software are deferred costs of $2,120 and $1,605 respectively (2013: operating systems — $9,602, computer software — $2,997). Amortization of these assets will begin when they are ready to use.

## Note 6 — Cash and outstanding payments ($ Canadian thousands)

Cash and outstanding payments represent the net balance of cash on hand and items in transit, including cheques written but not cashed. In the event these cheques are cashed and there are insufficient funds held at that time in its bank accounts, WorkSafeBC can use available credit facilities. As at December 31, 2014, the unused credit facility was $2,200 (2013: $1,999). WorkSafeBC is also a partner in an offset program with the Province of B.C.; this program provides WorkSafeBC access to additional credit facilities for varying amounts in connection with the daily cash balance of the partners.

### Cash and outstanding payments

| | December 31, 2014 | December 31, 2013 |
|---|---|---|
| Cash and outstanding payments | 23,170 | 24,662 |

All outstanding payments are expected to be settled within 12 months and therefore the net amount of cash and outstanding payments is classified as a current liability.

## Note 7 — Payables and accruals ($ Canadian thousands)

### Accounting policy

Payables and accruals are financial liabilities representing obligations to pay for goods or services received by WorkSafeBC in the ordinary course of operations. WorkSafeBC recognizes a liability and an expense for goods upon receipt or transfer of control, and for services when they have been performed. Other payables include credit balances on employer accounts. The timing and amount of payables and accruals are readily determinable. These amounts are normally settled before the end of the next reporting period, except for the two- to five-year finance lease obligations shown in the table that follows.

Finance lease obligations within the scope of IAS 17 *(Leases)* are not subject to measurement and disclosure requirements under IFRS 13 *(Fair Value Measurement)*. All other payables and accruals in the table are classified as amortized cost under IFRS 9, recorded at fair value on initial recognition, and subsequently measured at amortized cost. The carrying value of these items approximates fair value.

#### Investment transactions pending settlement

Investment transactions pending settlement reflect transactions recorded at trade date but not settled at year-end (see Note 4 — recognition and measurement). These amounts pending settlement are recorded as a payable and represent outstanding payments for portfolio investments purchased.

#### Finance lease obligations

WorkSafeBC's leases of personal computers and printers are classified as finance leases. Determination of whether an arrangement is a finance lease, which transfers substantially all the risks and benefits incidental to ownership of the leased item, is based on the substance of the arrangement at lease inception. The lease obligation and asset are recognized at the lease's inception and measured at the present value of the minimum lease payments, applying the interest rate implicit in the lease. Monthly payments are apportioned between finance charges (charged to operating surplus or deficit) and the reduction of lease liability so as to achieve a constant rate of interest on the liability's remaining balance.

## Note 7 — continued

### Payables and accruals

| | December 31, 2014 | December 31, 2013 |
|---|---|---|
| Investment transactions pending settlement | — | 48,588 |
| Accrued staff salaries | 28,672 | 30,712 |
| Vendor payables | 16,808 | 25,293 |
| Finance lease obligations | 2,627 | 3,442 |
| Other payables and accruals | 11,118 | 14,895 |
| **Total** | **59,225** | **122,930** |

Payables and accruals expected to be settled within 12 months total $53,587 (2013: $120,548).

The terms of the finance leases are two and three years for personal computers and three and five years for printers, with the interest rate implicit in the leases averaging 4.5 percent as at December 31, 2014 (December 31, 2013: 4.9 percent).

Scheduled finance lease payments are as follows:

| | December 31, 2014 | | | December 31, 2013 | | |
|---|---|---|---|---|---|---|
| | **Minimum lease payments** | **Finance charges** | **Present value** | **Minimum lease payments** | **Finance charges** | **Present value** |
| 0–1 year | 1,609 | 74 | **1,535** | 2,212 | 52 | **2,160** |
| 2–5 years | 1,122 | 30 | **1,092** | 1,409 | 127 | **1,282** |
| **Total** | **2,731** | **104** | **2,627** | **3,621** | **179** | **3,442** |

## Note 8 — Injured workers' retirement benefit liability ($ Canadian thousands)

### Accounting policy

The injured workers' retirement benefit obligation is a financial liability which represents obligations under Section 23.2 of the *Workers Compensation Act*, effective for all injuries occurring on or after June 30, 2002. This section requires that WorkSafeBC contribute a monthly amount for permanently disabled workers equal to 5 percent of a worker's permanent disability monthly benefit payment. This amount is over and above the benefit payment issued monthly and separate from the long-term disability benefit liability (see Note 10). In addition, a worker may voluntarily choose to contribute between 1 and 5 percent of his or her monthly benefit.

WorkSafeBC recognizes a liability for these amounts when the worker's permanent disability monthly benefit is paid. The injured workers' retirement benefit liability provides for interest at the greater of WorkSafeBC's annual smoothed accounting rate of return or the Government of Canada 90-day Treasury bill rate. Future cash flows to be paid to a worker are discounted at a rate equal to the rate of interest. Upon the earlier of death or reaching age 65, workers (or the beneficiary in the case of death) receive a lump-sum payout of these amounts and the liability is derecognized.

The injured workers' retirement benefit liability is classified as amortized cost under IFRS 9, recorded at fair value on initial recognition, and subsequently measured at amortized cost. The carrying value of this item approximates fair value.

## Note 8 — continued

### Injured workers' retirement benefit liability

Changes in the injured workers' retirement benefit liability are as follows:

| | 2014 | 2013 |
|---|---|---|
| Balance at January 1 | 29,727 | 21,500 |
| Interest income | 5,497 | 1,493 |
| Contributions by WorkSafeBC | 8,239 | 7,087 |
| Contributions by injured workers | 1,295 | 1,042 |
| Benefits paid | (1,773) | (1,395) |
| **Balance at December 31** | **42,985** | **29,727** |

The duration of the liability is estimated based on injured workers attaining the age of 65, as follows:

| | December 31, 2014 | December 31, 2013 |
|---|---|---|
| Under 1 year | 2,032 | 1,310 |
| 1–5 years | 10,482 | 7,016 |
| 5–10 years | 10,102 | 6,804 |
| Over 10 years | 20,369 | 14,597 |
| **Total** | **42,985** | **29,727** |

## Note 9 — Employee benefit assets, liabilities, and costs ($ Canadian thousands)

### Accounting policies

Post-employment benefits

WorkSafeBC has employee benefit plans that provide pension benefits and post-employment health care benefits for its employees. The cost of the plans and present value of obligations are determined using actuarial valuations; these valuations involve making assumptions about discount rates, rates of returns on net assets, future salary increases, mortality rates, and future pension changes. Due to the complexity of the valuations, the underlying assumptions, and the long-term nature, the obligations are sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Details of key assumptions used in the estimates are disclosed on the following page.

Employee pension plans

WorkSafeBC and its employees contribute to the Workers' Compensation Board (WCB) Superannuation Plan, a defined benefit plan. Appointed by WorkSafeBC's Board of Directors, three trustees are responsible for overseeing prudent investment of plan assets and ensuring administration services are provided to plan members. Of these three appointments, one trustee represents WorkSafeBC, another represents WorkSafeBC employees, while the third is an independent trustee nominated jointly by the other two trustees.

The plan provides pensions based on length of service and the employee's best five-year average earnings, with pensions vesting after two years of contributory service. In accordance with WCB Superannuation Plan rules, WorkSafeBC may apply surplus funds to reduce or eliminate contributions that might otherwise be required.

For funding purposes, and to determine employee/employer contribution rates, the plan requires an actuarial valuation of plan liabilities at intervals of not

## Note 9 — continued

more than three years. The last valuation was carried out as at March 31, 2014; its results were used to derive projected liabilities at year-end.

The WCB Superannuation Plan is subject to the *Pension Benefit Standards Act* of British Columbia and, as such, requires certain certifications relating to the plan's solvency. In accordance with the *Pension Benefit Standards Act*, WorkSafeBC must adequately fund all benefits earned by plan members and is required to make scheduled special payments to make up any funding or solvency deficit.

The most recent actuarial valuation, as at March 31, 2014 (report issued on December 19, 2014), reported a solvency ratio greater than 100 percent. In 2013, based on the previous actuarial valuation as at March 31, 2012, the solvency ratio was less than 100 percent. Pursuant to Section 35.1 of the *B.C. Pension Benefits Standards Regulations*, WorkSafeBC used a letter of credit to secure the solvency amortization payments that would have otherwise been payable in the period from April 1, 2012 to December 31, 2014. The $25.5 million letter of credit was issued on January 25, 2013 and expired on January 31, 2014. On December 16, 2013, WorkSafeBC amended the letter of credit to gradually increase the amount to $39.8 million by October 1, 2014 and to extend the expiry date to January 31, 2015.

WorkSafeBC also has a supplementary executive retirement plan (SERP). Established effective January 1, 2009, it provides additional pension benefits to designated executives. Pension benefits in this plan, which is not funded, are based on the same earnings as the WCB Superannuation Plan. For financial reporting purposes, an actuarial valuation for the SERP was carried out as of December 31, 2014. The SERP amounts are included in the detailed disclosures for the employee pension plan in tables within this note. The present value of the defined benefit obligation for the SERP at December 31, 2014 was $2,699 (December 31, 2013: $2,168).

**Post-employment health care plan**

WorkSafeBC also has a financial obligation relating to the basic medical and extended health care benefits it provides eligible WorkSafeBC retirees. WorkSafeBC employees are not required to contribute toward these health care benefits.

**Actuarial assumptions and method**

The cost of the pension and post-employment health care benefits earned by employees is actuarially determined using the projected benefit method which is prorated on service and actuarial assumptions about discount rates, returns on net assets, future salary increases, employee retirement ages, mortality rates, and expected health care costs. Due to the long-term nature of the plans, such estimates are subject to significant uncertainty. All actuarial gains and losses are recognized as they occur through other comprehensive income in the statement of comprehensive income.

The significant actuarial assumptions adopted in valuing WorkSafeBC's benefit plan expenses are shown in the table that follows.

| | Employee pension plans | | Post-employment health care plan | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Discount rate | 3.95% | 4.80% | 3.95% | 4.80% |
| Future salary increases/health care cost increases | 2.50% | 2.50% | 4.50% | 4.50% |

The rates shown in the 2014 column were effective as of December 31, 2014 and were applied in determining the benefit plan balances at December 31, 2014. Rates shown in the 2013 column were effective from December 31, 2013 to December 30, 2014. The 2013 rates were applied in determining 2014 benefit plans expenses.

## Note 9 — continued

### Long-term disability benefits

Long-term disability benefits are provisions representing the present obligation for the amount of income to be provided to employees unable to work for a long time due to non-work-related illness or injury. WorkSafeBC recognizes this provision when the disability occurs. As at December 31, 2014, the present value of the obligation was calculated using a net discount rate (relative to CPI inflation) of 3.0 percent (December 31, 2013: 3.0 percent).

### Long-service benefits

Long-service benefits are liabilities representing the amount payable to employees who have completed at least 10 years of service with WorkSafeBC. WorkSafeBC recognizes the liability as these employees render their service, which accumulates towards the entitlement of the long-service benefits. The benefit vests after 10 years of service, with payment made upon termination, death, or retirement. WorkSafeBC has recognized the expected benefit liability by applying a 3.45 percent discount rate as at December 31, 2014 (December 31, 2013: 3.5 percent) equal to the yield on high-quality corporate bonds with the same estimated term as the liability.

### Other benefits

Other benefits include liabilities for WorkSafeBC claims from WorkSafeBC employees and accumulated sick leave.

Workers' compensation claims are liabilities representing the present obligation for expected employee claim costs. WorkSafeBC recognizes the provision when the claim is accepted. As at December 31, 2014, the present value of the obligation was calculated using a net discount rate (relative to CPI inflation) of 3.0 percent (December 31, 2013: 3.0 percent).

Accumulated sick leave represents future payments expected to exceed the annual current entitlement that can be used by employees in future periods. Accumulated sick leave does not vest. WorkSafeBC recognizes the sick leave benefit obligation as the employees render the service which accumulates entitlement.

### Employee benefit liabilities

WorkSafeBC has several employee benefit plans including pension benefits, post-employment health care benefits, long-term disability benefits, long-service benefits, and other benefits liabilities. Liabilities consist of the following:

| | December 31, 2014 | December 31, 2013 |
|---|---|---|
| Post-employment health care benefit plan | 228,916 | 182,003 |
| Accrued long-term disability | 78,200 | 72,100 |
| Accrued long-service benefits | 37,216 | 36,468 |
| Accrued other benefits | 7,582 | 6,985 |
| **Total** | **351,914** | **297,556** |

The current portion of the employee benefit liabilities is estimated to be $20,421 (2013: $18,822).

The benefit asset of the employee pension plan is shown in the table on the following page.

## Note 9 — continued

### Employee pension and post-employment health plans

The amounts recognized in the consolidated statement of financial position are determined as follows:

| | Employee pension plans | |
|---|---|---|
| | December 31, 2014 | December 31, 2013 |
| Present value of defined benefit obligations | (1,630,110) | (1,353,784) |
| Fair value of plan assets | 1,693,370 | 1,526,786 |
| **Funded status — plan surplus** | **63,260** | **173,002** |
| **Benefit asset** | **63,260** | **173,002** |

| | Post-employment health care plan | |
|---|---|---|
| | December 31, 2014 | December 31, 2013 |
| Present value of defined benefit obligation | (228,916) | (182,003) |
| Fair value of plan assets | — | — |
| **Funded status — plan deficit** | **(228,916)** | **(182,003)** |
| **Benefit liability** | **(228,916)** | **(182,003)** |

Changes in the defined benefit obligation are as follows:

| | Employee pension plans | | Post-employment health care plan | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Balance January 1 | 1,353,784 | 1,401,872 | 182,003 | 158,573 |
| Current service cost | 33,864 | 36,096 | 7,241 | 6,401 |
| Employer contribution receivable | (5) | (165) | — | — |
| Interest cost | 64,359 | 52,770 | 8,659 | 5,969 |
| Contributions by plan participants | 16,096 | 16,268 | — | — |
| Net transfers in from other plans | 682 | 321 | — | — |
| Actuarial losses (gains) arising from: | | | | |
| Changes in demographic assumptions | 35,271 | — | 9,702 | — |
| Changes in financial assumptions | 156,241 | (122,770) | 33,903 | 15,210 |
| Experience adjustments | 14,849 | 14,702 | (9,377) | (1,159) |
| Benefits paid | (45,031) | (45,310) | (3,215) | (2,991) |
| **Balance December 31** | **1,630,110** | **1,353,784** | **228,916** | **182,003** |

The current portion of the employee pension plan liability is estimated to be $43,405 (2013: $37,245).

## Note 9 — continued

Changes in the fair value of plan assets are as follows:

| | Employee pension plans | | Post-employment health care plan | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Balance January 1 | 1,526,786 | 1,367,890 | — | — |
| Return on plan assets (excluding amounts included in net interest expense) | 96,680 | 112,649 | — | — |
| Interest income | 73,208 | 51,908 | — | — |
| Employer contributions | 24,987 | 24,931 | 3,215 | 2,991 |
| Employer contribution receivable | (38) | (1,871) | — | — |
| Employee contributions | 16,096 | 16,268 | — | — |
| Benefits paid | (45,031) | (45,310) | (3,215) | (2,991) |
| Net transfers in from other plans | 682 | 321 | — | — |
| **Balance December 31** | **1,693,370** | **1,526,786** | **—** | **—** |

The amounts recognized in the consolidated statement of comprehensive income are as follows:

| | Employee pension plans | | Post-employment health care plan | | Total | |
|---|---|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| **Recognized in administration expenses:** | | | | | | |
| Employer current service cost | 33,864 | 36,096 | 7,241 | 6,401 | 41,105 | 42,497 |
| Net interest cost | (8,849) | 862 | 8,659 | 5,969 | (190) | 6,831 |
| | **25,015** | **36,958** | **15,900** | **12,370** | **40,915** | **49,328** |
| **Recognized in other comprehensive income:** | | | | | | |
| Actuarial losses (gains) on plan liabilities arising from: | | | | | | |
| Changes in demographic assumptions | 35,271 | — | 9,702 | — | 44,973 | — |
| Changes in financial assumptions | 156,241 | (122,770) | 33,903 | 15,210 | 190,144 | (107,560) |
| Experience adjustments | 14,849 | 14,702 | (9,377) | (1,159) | 5,472 | 13,543 |
| Return on plan assets (excluding amounts included in net interest expense) | (96,680) | (112,649) | — | — | (96,680) | (112,649) |
| | **109,681** | **(220,717)** | **34,228** | **14,051** | **143,909** | **(206,666)** |
| **Total benefit plan expenses** | **134,696** | **(183,759)** | **50,128** | **26,421** | **184,824** | **(157,338)** |

## Note 9 — continued

Cumulative actuarial gains (losses) recognized in other comprehensive income:

| | Employee pension plans | | Post-employment health care plan | | Total | |
|---|---|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| As at January 1 | (50,849) | (271,566) | (31,838) | (17,787) | (82,687) | (289,353) |
| Actuarial gains (losses) on plan liabilities for the year | (206,361) | 108,068 | (34,228) | (14,051) | (240,589) | 94,017 |
| Actuarial gains on plan assets for the year | 96,680 | 112,649 | — | — | 96,680 | 112,649 |
| **As at December 31** | **(160,530)** | **(50,849)** | **(66,066)** | **(31,838)** | **(226,596)** | **(82,687)** |

### Employee pension plans and post-employment health care benefit plan risks

WorkSafeBC is subject to the risks attached to assumptions employed in determining net plan obligations. Changes in assumptions may negatively impact the net funded position of the plans. The most significant assumption risks are discussed below.

#### Investment risk

The present value of the defined benefit plans' liabilities is calculated using a discount rate determined by reference to high-quality corporate bond yields. If actual returns on pension plan assets are below this rate, the plan's funded status will decrease. See below for WorkSafeBC's asset-liability matching strategy.

#### Interest risk

A decrease in the bond interest rate will increase the plans' liabilities, however any related effect may be partially offset by an increase in the return on the pension plan's debt investments.

#### Mortality risk

The present value of the defined benefit plans' liabilities is calculated by referencing the best estimate of the mortality of plan members. An increase in their life expectancy will subsequently increase the plans' liabilities.

#### Salary risk

The present value of the defined benefit pension plan liability is calculated by referencing the estimated increase in future salaries of plan members. As such, an increase in their salaries in excess of the estimate will subsequently raise the pension plans' liability.

#### Health care cost risk

The present value of the post-employment health care benefit plan liability is calculated by referencing estimated future health care costs. As such, an increase in health care costs in excess of the estimate of plan members will increase the post-employment health care benefit plan's liability.

#### Asset-liability matching strategy

Periodic asset/liability studies are conducted to review the WCB Superannuation Plan investment policy. The policy's primary objective is to manage risks related to the asset mix, considering both returns and risks of investment classes, in conjunction with the anticipated amounts and timing of liability payments. The policy identifies a targeted asset mix and range of acceptable level of investments for each investment type and sub-class. Pension plan assets are managed by bcIMC, investing in fixed-income, equity, inflation-sensitive, and other investments, directly held or through pooled funds. The assets and related performance of plan assets are monitored on a quarterly basis by plan trustees.

## Note 9 — continued

### Sensitivity of employee pension plan and post-employment health care benefit plan liability

Significant actuarial assumptions for determining the employee defined benefit plan liabilities are discount rate, life expectancy, expected salary increases, and health care costs. The effect on the employee defined benefit obligations of a change in assumptions applied is as follows:

| | | 2014 | | | |
|---|---|---|---|---|---|
| | | Pension plans | | Post-employment health care plan | |
| **Effect on defined benefit obligations of an increase/ decrease in the following assumptions:** | **Change in assumption** | **Increase** | **Decrease** | **Increase** | **Decrease** |
| Discount rate | 0.5% | (5.9)% | 6.6% | (9.1)% | 10.5% |
| Mortality rates | 10% | (1.2)% | 1.3% | (3.0)% | 3.3% |
| Salary increase | 0.5% | 1.0% | (1.2)% | N/A | N/A |
| Health care costs | 0.5% | N/A | N/A | 10.5% | (9.2)% |

Assumptions regarding the life expectancy of plan members are set, based on actuarial advice, by referencing the best estimate of their mortality. These assumptions translate into an average life expectancy (in years) for a pensioner retiring at age 65.

The sensitivity analysis presented in the table above may not be representative of the actual change in the defined benefit obligation, as it is unlikely a change in assumptions would occur in isolation of one another as some assumptions may correlate.

## Note 9 — continued

### Employee pension plan assets

The WCB Superannuation Plan assets at fair value are listed in the following table. Pooled funds are valued based on WorkSafeBC's share of the net asset value of the pooled fund. The fair values of foreign real estate, private placement, renewable resources, and infrastructure investments are based on the fair values of the net assets and supported by independent appraisals using the most appropriate valuation techniques for each investment type. The fair value of foreign currency exchange contracts is based on quoted prices.

| | December 31, 2014 | December 31, 2013 |
|---|---|---|
| **Fixed-income investments** | | |
| Money market funds | 118,812 | 13,768 |
| Bond funds | 276,209 | 371,394 |
| Mortgage funds | 35,931 | 47,698 |
| | 430,952 | 432,860 |
| **Equity investments** | | |
| Canadian index equity fund | 65,173 | 64,814 |
| Active Canadian equity funds | 110,561 | 102,356 |
| U.S. index equity fund | 134,029 | 92,507 |
| Active U.S. equity funds | 84,608 | 71,333 |
| International index equity funds | 108,027 | 106,463 |
| Active international equity funds | 52,824 | 33,199 |
| Global equity fund | 116,817 | 100,678 |
| Emerging markets equity funds | 115,471 | 94,718 |
| Currency hedging funds | 2,340 | 3,880 |
| Currency hedging contracts | 347 | (76) |
| Private placements funds | 81,685 | 71,252 |
| | 871,882 | 741,124 |
| **Inflation-sensitive investments** | | |
| Real-return bond | 429 | 414 |
| Real-return bond fund | 57,629 | 51,099 |
| Infrastructure funds | 66,641 | 60,246 |
| Domestic real estate fund | 221,348 | 206,359 |
| Foreign real estate funds | 13,524 | 11,806 |
| Renewable resources funds | 17,055 | 15,004 |
| Currency hedging contracts | (549) | (337) |
| | 376,077 | 344,591 |
| **Other investments** | | |
| All Weather Fund | 16,756 | 14,603 |
| **Other assets/liabilities** | | |
| Cash/receivables and payables | (2,297) | (6,392) |
| **Total** | **1,693,370** | **1,526,786** |

## Note 9 — continued

### Future cash flows

Contributions to the pension plans are expected to continue at the existing rates until after completion of the next actuarial valuation, as at March 31, 2017.

Based on the actuarial valuation performed as at March 31, 2014, the average duration of the benefit obligation at December 31, 2014 is 15 years. The average duration of the benefit obligation at December 31, 2013 was 14 years based on the actuarial valuation performed as at March 31, 2012. The estimated maturity of the obligation, also based on the latest actuarial valuation, is as follows:

| | December 31, 2014 | December 31, 2013 |
|---|---|---|
| Active members | 18 years | 17 years |
| Terminated members | 16 years | 15 years |
| Retired members | 10 years | 9 years |

WorkSafeBC anticipates $40,236 will be contributed to the employee defined benefit pension plan in 2015, consisting of $16,428 from employee contributions and $23,808 from employer contributions.

### Risk management

The pension plan investments disclosure shows investments in pooled funds by type of fund (i.e., the primary investment focus) while investments held directly are shown by investment type. Many of the pooled funds hold cash, net investment receivables and payables, and/or small amounts of other investments outside their primary investment focus.

#### Market risk

Plan assets are invested in fixed-income, equity, inflation-sensitive, and other assets; they are subject to market risk. Market risk is the risk of loss in the value of pension plan investments that may arise due to changes in market factors such as: public equity prices, interest rates, foreign exchange rates, and valuations of real estate, private placements, infrastructure, and renewable resources. These changes are subject to economic factors and other movements in global capital markets.

#### Credit risk management

Credit risk on financial instruments arises from the possibility of a counter-party to an instrument failing to meet its obligations. Thus, all issuers of debt instruments — including government, non-government, and other counter-parties — must have a minimum credit rating of BBB+ to be eligible for consideration as an investment by the WCB Superannuation Plan. WorkSafeBC does not have material direct credit risk exposure.

#### Foreign exchange risk management

The WCB Superannuation Plan holds investments denominated in foreign currencies, indirectly through the investments in pooled funds, which are exposed to currency risk.

#### Real estate risk management

Indirect risk in the real estate portfolio of WCB Superannuation Plan assets is managed by investing across real estate types and locations. Adverse effects in any one segment of the market or geographic location are minimized through diversification, including investments in domestic and foreign real estate.

#### Industry and geographic risk management

Global public equity investments in pooled funds are monitored and reviewed on a quarterly basis to help ensure appropriate diversification is achieved.

### Related party transactions — employee pension plan

WorkSafeBC provides pension plan benefits for its employees. Transactions with the WCB Superannuation Plan are between related parties as detailed in the following table:

| Transactions | 2014 | 2013 |
|---|---|---|
| Contributions from employees | 16,131 | 16,416 |
| Contributions from employer | 24,987 | 24,931 |

All terms and conditions of the post-employment benefit plans remained unchanged throughout 2013 and 2014. The plans did not provide guarantees to any parties.

## Note 10 — Claim benefit liabilities and costs ($ Canadian thousands)

### Accounting policy

Benefit liabilities fall into three categories:

- Unfinalled claim liabilities consisting of:
  - — A provision for future payments on claims not finalized to date
  - — The capitalized value of the estimated future cost of administering existing claims
- Capitalized value of future monthly payments for pension awards already made (pension fund liabilities) under the long-term disability and survivor benefits
- Long-latency occupational disease liability (LODL) for claims to be diagnosed in the future but for which some exposure to disease-causing agents has already occurred

For the first two categories, at year-end WorkSafeBC determines its claim benefit liabilities for all injuries that have occurred to that time. WorkSafeBC recognizes these claim benefit liabilities in the year a reported compensable workplace injury occurs or disease is diagnosed, as defined by the *Workers Compensation Act* of British Columbia and/or by WorkSafeBC policy. For the third category, long-latency occupational disease claims, the liability is determined as the estimated future benefit payments anticipated on expected disease claims to be diagnosed in the future, for which some exposure to a disease-causing agent has already occurred. These estimated future benefit payments are discounted and adjusted to reflect the estimated portion for the total latency period exposure which has transpired to the valuation date.

Applying actuarial methods, benefit liabilities are measured as the present value of all future benefit payments expected to be made for claims occurring in the current fiscal year or in any prior year. Benefit liabilities include provision for all benefits covered by applicable legislation, policies, and/or administrative practices in respect of existing claims.

WorkSafeBC's internal actuary sets the actuarial assumptions and methods and computes the benefit liabilities. An independent actuary is appointed to validate and express an opinion on these elements; the opinion is appended to these consolidated financial statements.

#### Liability for long-latency occupational disease claims

The Canadian Actuarial Standards Board's actuarial standards of practice for workers' compensation organizations requires the recognition of a liability for long-latency occupational diseases. These are occupationally caused diseases, currently recognized as compensable, that will manifest as claims in future years for which there has already been partial exposure to the disease-causing agent but no current disease diagnosis. In 2013, WorkSafeBC early adopted the Actuarial Standards of Practice — Part 5000 — *Latent Occupational Disease Liability* (LODL). The standard is effective for calculations dated December 31, 2014 and later.

## Note 10 — continued

### Actuarial assumptions and methods

The following table summarizes the main underlying actuarial assumptions used to estimate the three categories of benefit liabilities noted above.

| | Actuarial assumptions | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | Economic assumptions | | | | |
| | Runoff pattern | Future mortality | Expense rate | Latency period | Investment return | CPI increase | Wage growth | Health care inflation | Claim administration inflation |
| Unfinalled claim liabilities | | | | | | | | | |
| Short-term disability | ✔ | | | | ✔ | ✔ | ✔ | | |
| Long-term disability | ✔ | ✔ | | | ✔ | ✔ | ✔ | | |
| Survivor benefits | ✔ | ✔ | | | ✔ | ✔ | ✔ | | |
| Health care | ✔ | | | | ✔ | | | ✔ | |
| Vocational rehabilitation | ✔ | | | | ✔ | ✔ | ✔ | | |
| Claim administration | | | ✔ | | ✔ | ✔ | ✔ | | ✔ |
| Pension fund liabilities | | | | | | | | | |
| Long-term disability | | ✔ | | | ✔ | ✔ | | | |
| Survivor benefits | | ✔ | | | ✔ | ✔ | | | |
| Long-latency occupational disease liability | | ✔ | | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ |

#### Runoff pattern

**Methods and assumptions**

The runoff pattern for unfinalled claims is intended to be an unbiased estimate of the future cost runoff on existing claims. It is normally calculated using the average runoff pattern of the five most recent calendar years. This averaging period may be modified where there is reason to believe the observed experience in the most recent five years is not representative of future expected payments.

**Strengths and limitations**

The main strength of this methodology is that it recognizes recent payment patterns which normally should be representative of future payment patterns, at least in the short-to-medium term. Further, using a multi-year average pattern provides greater credibility to the runoff pattern assumption and reduces the impact of random statistical fluctuations.

The main limitation of the method is that the recent payment pattern is assumed to apply to the long-tailed portion of the business (mainly long-term disability and health care), which may extend as far as 50 years from the injury date. The risk that actual future payment patterns will differ from those assumed increases as one moves into the medium-to-long duration portion of the liability.

#### Future mortality

**Methods and assumptions**

Future mortality rates must be estimated to determine the liability for monthly pensions established for long-term disability claimants and dependants receiving survivor benefits. This mortality basis is reviewed and revised, if necessary, every five years, with the last review conducted in 2012. This mortality basis is used for both the unfinalled claims liability and pension fund liability. The liability is calculated recognizing that mortality improvement is expected to occur each year.

## Note 10 — continued

Mortality assumptions are intended to be unbiased estimates of future mortality experiences among WorkSafeBC pension recipients (claimants and survivors).

The mortality assumptions are determined through a two-stage process:

- First, the mortality levels currently experienced by pensioners (long-term disability and survivor benefits) are measured via a study of recent actual experience of these claimants and survivors. The Canada *Life Tables*, published by Statistics Canada, are also used in assessing current mortality levels.
- The mortality rates are then projected forward. This involves reducing the mortality rates to allow for anticipated greater longevity in the future. The improvement rates used are based on studies and projections by the Social Security Administration (SSA) agency in the United States. These improvement rates have historically paralleled the improvements observed for WorkSafeBC claimants.

**Strengths and limitations**

This methodology's main strength is that the actual mortality experience of WorkSafeBC pension recipients (claimants and survivors) serves as the starting point for a mortality assumption. Its main limitation is the risk that future mortality improvements of these pension recipients will deviate from assumed improvements derived from the SSA studies.

### Expense rate

**Methods and assumptions**

The expense rate is the ratio of claim administration costs divided by benefit dollars paid (or capitalized, in the case of pension awards), or how much it costs to pay one dollar of claim benefits.

Expense rates are determined by periodically examining actual claim administration expenses incurred in a given year (across all cost centres in WorkSafeBC) as a proportion of the claim payments/awards in that year. These expense rates vary by benefit type and are intended to represent the ongoing cost of administering existing claims. These expense rates are the prime drivers for calculating claim administration liability.

**Strengths and limitations**

This methodology's main strength is that WorkSafeBC's actual expense and claim payment/award levels are reflected in the derivation of expense rates; expense levels are those actually experienced by WorkSafeBC. Its main limitation is the risk that future expense levels will deviate from current expense levels, either understating or overstating claim administration liability.

### Latency period

Latency period represents the number of years between the initial exposure to the disease-causing agent and the time of diagnosis for each disease type. The latency period is estimated based on available information from medical literature.

### Economic assumptions

These benefits are calculated using a discount rate of 3.0 percent; the assumption is that investment income will be earned at an annual rate that is 3.0 percent higher than the annual rate of general inflation in the long term. This real discount rate gives rise to the net discount rates used to calculate various components of the benefit liabilities. These net discount rates are the differences between the assumed investment rate (long-term assumption of 5.5 percent return) and the assumed growth rates of the specific factors driving benefit increases. These net discount rates are as follows:

| Factor | Net discount rate | |
|---|---|---|
| | 2014 | 2013 |
| Health care inflation | 0.0% | 0.0% |
| Wage growth | 2.0% | 2.0% |
| Claim administration inflation | 2.5% | 2.5% |
| Benefits indexed to inflation minus 1% | 4.0% | 4.0% |

## Note 10 — continued

**Benefit liabilities**

| | 2014 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Short-term disability | Long-term disability | Survivor benefits | Health care | Vocational rehabilitation | Claim administration | Latent occupational diseases | Total |
| Balance — January 1 | 328,190 | 6,068,203 | 914,537 | 2,489,779 | 288,571 | 708,319 | 342,282 | 11,139,881 |
| Add: Claim costs: | | | | | | | | |
| Current year's injuries | 281,136 | 302,396 | 32,776 | 340,370 | 96,829 | 233,177 | | 1,286,684 |
| Prior years' injuries | (5,808) | 335,780 | 64,749 | 35,199 | 36,324 | 17,059 | | 483,303 |
| | 275,328 | 638,176 | 97,525 | 375,569 | 133,153 | 250,236 | | 1,769,987 |
| Less: Claim payments made: | | | | | | | | |
| Current year's injuries | 149,004 | 4,338 | 901 | 105,451 | 2,405 | 104,605 | | 366,704 |
| Prior years' injuries | 133,082 | 487,460 | 66,365 | 222,685 | 113,723 | 141,488 | | 1,164,803 |
| | 282,086 | 491,798 | 67,266 | 328,136 | 116,128 | 246,093 | | 1,531,507 |
| Add: | | | | | | | | |
| Latent occupational diseases | | | | | | | 7,560 | 7,560 |
| **Balance — December 31** | **321,432** | **6,214,581** | **944,796** | **2,537,212** | **305,596** | **712,462** | **349,842** | **11,385,921** |
| Represented by: | | | | | | | | |
| Provision for unfinalled claims | 321,432 | 1,811,410 | 105,258 | 2,537,212 | 305,596 | 712,462 | | 5,793,370 |
| Pension awards, capitalized values | — | 4,403,171 | 839,538 | — | — | — | | 5,242,709 |
| Latent occupational diseases | | | | | | | 349,842 | 349,842 |
| **Total** | **321,432** | **6,214,581** | **944,796** | **2,537,212** | **305,596** | **712,462** | **349,842** | **11,385,921** |

## Note 10 — continued

**Benefit liabilities**

2013

| | Short-term disability | Long-term disability | Survivor benefits | Health care | Vocational rehabilitation | Claim administration | Latent occupational diseases | Total |
|---|---|---|---|---|---|---|---|---|
| Balance — January 1 | 327,485 | 5,881,792 | 909,797 | 2,326,829 | 250,770 | 690,098 | 329,259 | 10,716,030 |
| Add: Claim costs: | | | | | | | | |
| Current year's injuries | 289,048 | 299,303 | 28,713 | 349,422 | 90,993 | 241,082 | | 1,298,561 |
| Prior years' injuries | 7,517 | 355,786 | 43,456 | 151,584 | 60,153 | 21,498 | | 639,994 |
| | 296,565 | 655,089 | 72,169 | 501,006 | 151,146 | 262,580 | | 1,938,555 |
| Less: Claim payments made: | | | | | | | | |
| Current year's injuries | 152,737 | 3,397 | 868 | 105,952 | 2,590 | 110,879 | | 376,423 |
| Prior years' injuries | 143,123 | 465,281 | 66,561 | 232,104 | 110,755 | 133,480 | | 1,151,304 |
| | 295,860 | 468,678 | 67,429 | 338,056 | 113,345 | 244,359 | | 1,527,727 |
| Add: Latent occupational diseases | | | | | | | 13,023 | 13,023 |
| **Balance — December 31** | **328,190** | **6,068,203** | **914,537** | **2,489,779** | **288,571** | **708,319** | **342,282** | **11,139,881** |
| Represented by: | | | | | | | | |
| Provision for unfinalled claims | 328,190 | 1,841,315 | 95,791 | 2,489,779 | 288,571 | 708,319 | | 5,751,965 |
| Pension awards, capitalized values | — | 4,226,888 | 818,746 | — | — | — | | 5,045,634 |
| Latent occupational diseases | | | | | | | 342,282 | 342,282 |
| **Total** | **328,190** | **6,068,203** | **914,537** | **2,489,779** | **288,571** | **708,319** | **342,282** | **11,139,881** |

WorkSafeBC anticipates that $1,155,503 (2013: $1,121,502) of the claim liability will be settled within 12 months, and is therefore considered the current portion.

## Note 10 — continued

The following is a reconciliation of claim benefit liabilities:

| | 2014 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Short-term disability** | **Long-term disability** | **Survivor benefits** | **Health care** | **Vocational rehabilitation** | **Claim administration** | **Latent occupational diseases** | **Total** |
| Balance — January 1 | 328,190 | 6,068,203 | 914,537 | 2,489,779 | 288,571 | 708,319 | 342,282 | 11,139,881 |
| Add: | | | | | | | | |
| Provision for current year's injuries | 132,132 | 298,058 | 31,875 | 234,919 | 94,424 | 128,572 | | 919,980 |
| Accretion expense for prior years' liabilities | 13,927 | 317,419 | 47,810 | 128,589 | 13,078 | 34,554 | 18,581 | 573,958 |
| Prior years' claim costs experience higher (lower) than expected | (19,735) | 18,361 | 16,939 | (93,390) | 23,246 | (17,495) | | (72,074) |
| Latent occupational diseases | | | | | | | (11,021) | (11,021) |
| | 126,324 | 633,838 | 96,624 | 270,118 | 130,748 | 145,631 | 7,560 | 1,410,843 |
| Less: | | | | | | | | |
| Payments for prior years' injuries | 133,082 | 487,460 | 66,365 | 222,685 | 113,723 | 141,488 | | 1,164,803 |
| **Balance — December 31** | **321,432** | **6,214,581** | **944,796** | **2,537,212** | **305,596** | **712,462** | **349,842** | **11,385,921** |

| | 2013 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Short-term disability** | **Long-term disability** | **Survivor benefits** | **Health care** | **Vocational rehabilitation** | **Claim administration** | **Latent occupational diseases** | **Total** |
| Balance — January 1 | 327,485 | 5,881,792 | 909,797 | 2,326,829 | 250,770 | 690,098 | 329,259 | 10,716,030 |
| Add: | | | | | | | | |
| Provision for current year's injuries | 136,311 | 295,906 | 27,845 | 243,470 | 88,403 | 130,203 | | 922,138 |
| Accretion expense for prior years' liabilities | 9,434 | 208,308 | 32,200 | 81,247 | 7,695 | 22,703 | 12,098 | 373,685 |
| Prior years' claim costs experience higher (lower) than expected | (1,917) | 147,478 | 11,256 | 70,337 | 52,458 | (1,205) | | 278,407 |
| Latent occupational diseases | | | | | | | 925 | 925 |
| | 143,828 | 651,692 | 71,301 | 395,054 | 148,556 | 151,701 | 13,023 | 1,575,155 |
| Less: | | | | | | | | |
| Payments for prior years' injuries | 143,123 | 465,281 | 66,561 | 232,104 | 110,755 | 133,480 | | 1,151,304 |
| **Balance — December 31** | **328,190** | **6,068,203** | **914,537** | **2,489,779** | **288,571** | **708,319** | **342,282** | **11,139,881** |

Accretion expense for prior years' liabilities represents the expected interest accrued for opening benefit liabilities.

## Note 10 — continued

**Changes in actuarial valuation of benefit liabilities**

| | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|
| | Claim costs | Less: Benefit payments | Changes in actuarial valuation of benefit liabilities | Claim costs | Less: Benefit payments | Changes in actuarial valuation of benefit liabilities |
| Short-term disability | 275,328 | 282,086 | (6,758) | 296,565 | 295,860 | 705 |
| Long-term disability | 638,176 | 491,798 | 146,378 | 655,089 | 468,678 | 186,411 |
| Survivor benefits | 97,525 | 67,266 | 30,259 | 72,169 | 67,429 | 4,740 |
| Health care | 375,569 | 328,136 | 47,433 | 501,006 | 338,056 | 162,950 |
| Vocational rehabilitation | 133,153 | 116,128 | 17,025 | 151,146 | 113,345 | 37,801 |
| | 1,519,751 | 1,285,414 | 234,337 | 1,675,975 | 1,283,368 | 392,607 |
| Claim administration | 250,236 | 246,093 | 4,143 | 262,580 | 244,359 | 18,221 |
| | 1,769,987 | 1,531,507 | 238,480 | 1,938,555 | 1,527,727 | 410,828 |
| Latent occupational disease | 7,560 | — | 7,560 | 13,023 | — | 13,023 |
| **Total** | **1,777,547** | **1,531,507** | **246,040** | **1,951,578** | **1,527,727** | **423,851** |

### Sensitivity of actuarial assumptions ($ Canadian millions)

The most significant assumption in determining claim benefit liabilities is the net discount rates. These rates are differences between the assumed investment rate (long-term assumption of 5.5 percent return) and the assumed growth rates of the specific factors driving benefit increases. A reduction in the assumed net discount rates would increase claim benefit liabilities and reduce the operating surplus, and vice versa.

The following table shows the sensitivity of claim benefit liabilities to an immediate 1 percent increase or decrease in these key net discount rate assumptions used to determine the liabilities.

| | Net discount rate | | Increase (decrease) in liabilities ($ millions) | | | |
|---|---|---|---|---|---|---|
| | 2014 | 2013 | 2014 | | 2013 | |
| +/- % change on net discount rates | | | +1% | -1% | +1% | -1% |
| Health care inflation | 0.0% | 0.0% | $(332) | $428 | $(322) | $415 |
| Wage growth | 2.0% | 2.0% | $(122) | $144 | $(126) | $148 |
| Claim administration inflation | 2.5% | 2.5% | $(58) | $71 | $(57) | $70 |
| General inflation rate | 3.0% | 3.0% | $(620) | $730 | $(614) | $725 |

## Note 10 — continued

### Management of insurance risks and rate-setting

In accordance with the *Workers Compensation Act*, the Accident Fund is financed by charging annual assessment rates to employers. These are applied as a percentage of assessable payroll to determine the premium each employer must pay.

The annual rate applicable to a given employer is determined as the sum of four main components:

- The cost of new injuries — calculated based on the industry in which the employer operates and historical actuarial cost experience of that industry
- Amortization of the industry surplus or deficit — each industry group maintains its own insurance pool and is responsible for funding any deficits and receives the benefit (rate reduction) of any surpluses
- Capping of rate increases and decreases — the change in rate for any classification unit within an industry group is usually limited to a 20 percent increase or decrease according to WorkSafeBC's normal rate-setting practices
- Experience rating — the actual rate paid by a given employer within an industry group is further increased or decreased depending on the employer's historical cost performance relative to other employers in that industry group

Under the *Workers Compensation Act* WorkSafeBC has the power to set assessment rates to recover any shortfalls in assessment collection, or fund any required reserves.

### Concentration of risks

WorkSafeBC underwrites workplace injury insurance for all employers across the entire province of British Columbia. Premium rates charged to employers differ by industry, reflecting the variety of loss frequencies experienced in different industries. In addition, rates charged for employers in the same industry are further adjusted based on the historical claims experience of each employer relative to the industry as a whole. WorkSafeBC is also potentially subject to risks resulting from litigation or legislative changes. Such changes can produce an immediate pervasive increase in the cost of the entire portfolio of insurance contracts.

### Liquidity of benefit liability risks

The following table estimates the expected amounts and timing of future benefit and associated claim administration payments for the provision of outstanding claims. The expected timing of payments from the provision for outstanding claims involves considerable uncertainty.

| **Expected timing of future payments for outstanding claims** | 2014 | 2013 |
|---|---|---|
| Up to 1 year | 5% | 5% |
| Over 1 year and up to 5 years | 14% | 14% |
| Over 5 years and up to 10 years | 15% | 15% |
| Over 10 years and up to 15 years | 14% | 14% |
| Over 15 years | 52% | 52% |
| **Total** | **100%** | **100%** |

## Note 10 — continued

### Claims development ($ Canadian millions)

In the following table, cumulative claim costs are shown for each Year of Injury (YOI) and Year of Estimate (YOE). Each cell contains actual costs paid from YOI to YOE plus estimated costs projected to be paid beyond the YOE.

| | Year of injury ($ millions) | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | Total |
| **Year of estimate** | | | | | | | | | | | |
| 2005 | 1,136 | | | | | | | | | | |
| 2006 | 1,075 | 1,121 | | | | | | | | | |
| 2007 | 1,032 | 1,102 | 1,186 | | | | | | | | |
| 2008 | 1,007 | 1,096 | 1,200 | 1,274 | | | | | | | |
| 2009 | 980 | 1,074 | 1,196 | 1,268 | 1,235 | | | | | | |
| 2010 | 957 | 1,049 | 1,182 | 1,268 | 1,175 | 1,112 | | | | | |
| 2011 | 950 | 1,056 | 1,206 | 1,310 | 1,198 | 1,139 | 1,236 | | | | |
| 2012 | 967 | 1,081 | 1,237 | 1,372 | 1,267 | 1,269 | 1,381 | 1,446 | | | |
| 2013 | 973 | 1,088 | 1,255 | 1,391 | 1,287 | 1,294 | 1,422 | 1,520 | 1,498 | | |
| 2014 | 961 | 1,074 | 1,242 | 1,378 | 1,261 | 1,272 | 1,405 | 1,526 | 1,520 | 1,485 | 13,124 |
| Current (2014) estimate of cumulative claim costs | 961 | 1,074 | 1,242 | 1,378 | 1,261 | 1,272 | 1,405 | 1,526 | 1,520 | 1,485 | 13,124 |
| Cumulative payments | (621) | (701) | (816) | (897) | (748) | (765) | (787) | (754) | (567) | (267) | (6,923) |
| Outstanding claims (undiscounted) | 340 | 373 | 426 | 481 | 513 | 507 | 618 | 772 | 953 | 1,218 | 6,201 |
| Discount | | | | | | | | | | | (3,238) |
| 2004 and prior years of injury | | | | | | | | | | | 2,013 |
| Survivor benefits | | | | | | | | | | | 105 |
| Claim administration | | | | | | | | | | | 712 |
| Subtotal of outstanding claims — unfinalled liabilities | | | | | | | | | | | **5,793** |
| Pension liabilities | | | | | | | | | | | 5,243 |
| Latent occupational disease liability | | | | | | | | | | | 350 |
| **Total outstanding claims per consolidated statement of financial position** | | | | | | | | | | | **11,386** |

Claim costs for most YOI exhibit a downward trend by the YOE. This is primarily due to a general reduction in unit liability costs over the past decade. This results in a higher estimated cost being replaced by a lower actual cost each year as the YOE progresses which, in turn, produces the downward trend shown. It appears to have stabilized in the last three years, mainly due to recent flattening levels of long-term disability and health care costs and liabilities.

### Liability adequacy test

IFRS 4 *(Insurance Contracts)* requires that an insurer apply a liability adequacy test that meets specified minimum requirements, as follows:

(a) The test considers current estimates of all contractual cash flows, and related cash flows such as claim administration costs, as well as those resulting from embedded options and guarantees; and

## Note 10 — continued

(b) If the test shows the liability is inadequate, the entire deficiency is recognized in operating surplus or deficit.

If these minimum tests are met, there are no further requirements.

The Practice Council of the Canadian Institute of Actuaries has concluded that current Canadian valuation standards of practice, when applied to the valuation of workers' compensation liabilities, would meet the liability adequacy testing requirements of IFRS 4. Accordingly, a separate annual liability adequacy test is not required for WorkSafeBC claim benefit liabilities.

## Note 11 — Reserves ($ Canadian thousands)

### Accounting policy

WorkSafeBC has established different reserves for both specific and general purposes. They were created either due to legislative requirement, as specified below, or as approved by the Board of Directors. Reserves are funded through appropriations from the unappropriated balance. Transfers to and from reserves are accounted for as appropriations from or returns to the unappropriated balance.

#### Special reserves

The $40,000 Accident Fund special reserves, established pursuant to Section 39 of the *Workers Compensation Act*, include the:

- Contingent Reserve [Section 39(1)(b)], which provides a reserve in aid of industries or classes that may become depleted or extinguished
- Disaster Reserve [Section 39(1)(d)], which provides a reserve to meet the loss arising from a disaster or other circumstances WorkSafeBC considers an unfair burden to the employers in a particular class
- Enhancement Reserve [Section 39(1)(e)], which provides a reserve for payment of that portion of a disability enhanced by reason of a pre-existing disease, condition, or disability

Claims deemed by WorkSafeBC to be covered by these reserves are charged to current operations but prorated to the various employer classes, rather than being charged directly to any specific class.

#### Latent Occupational Disease Reserve

WorkSafeBC established a $200,000 Latent Occupational Disease Reserve relating to occupational diseases not currently recognized as compensable but that may be recognized in the future based on new scientific evidence. These claims, unknown at present, will not be reported for a number of years due to the extended latency periods and delay before they are scientifically recognized. This reserve has been provided for in addition to the amount recognized as a liability (see Note 10).

#### Earthquake Disaster Reserve

A $20,000 Earthquake Disaster Reserve was established to provide for claims from workers who may be injured in the course of their employment during an earthquake disaster.

#### Research Reserve

The $30,000 Accident Fund Research Reserve, established pursuant to Section 111 of the *Workers Compensation Act*, funds initiatives in scientific study, as well as disseminating information and applying ways to reduce occupational injury, disease, impairment, or disability arising from employment, in support of WorkSafeBC's strategic plan. The $30,000 reserve will remain intact; investment income earned on the reserve, calculated using WorkSafeBC's smoothed accounting rate of return, is directed to funding research.

#### Injury Reduction and Return-to-Work Initiatives Reserve

In 2010, WorkSafeBC established a $50,000 reserve from its unappropriated balance to provide funding for piloting and implementing initiatives in workplace injury reduction and disability and injury management. This reserve will remain intact; investment income earned on the reserve, calculated using WorkSafeBC's smoothed accounting rate of return, is directed to funding projects in this area.

#### General Reserve

In 2006, WorkSafeBC established a $250,000 General Reserve from its unappropriated balance to provide for special circumstances, including legislative changes that might significantly impact the organization's consolidated financial statements and assessment rates levied in a particular year. The target level of the reserve will be evaluated and, if necessary, adjusted yearly based on emerging circumstances — including pending legislation.

## Note 11 — continued

This reserve will be drawn down when circumstances in the year would otherwise significantly impact employer assessment rates.

### Capital Adequacy Reserve

In 2007, WorkSafeBC established a Capital Adequacy Reserve (CAR) to ensure it maintains an asset level for the Accident Fund that is adequate to mitigate the risks in its assets and liabilities. Funds will be appropriated from the unappropriated balance into the Capital Adequacy Reserve, based on an internal policy, until the reserve is built up to the target CAR level determined using a methodology derived from capital reserve guidelines of the federal Office of the Superintendent of Financial Institutions (OSFI). In September 2014, OSFI announced changes to the minimum capital requirements. These changes are effective January 1, 2015 and will be implemented by WorkSafeBC at that time. Although WorkSafeBC is not subject to regulatory oversight by OSFI, it seeks to provide security for worker benefits comparable to that required of private insurers regulated by OSFI.

In 2014, $847,000 was contributed to the Capital Adequacy Reserve. In 2013, no contribution or withdrawal was made.

| | December 31, 2014 | December 31, 2013 |
|---|---|---|
| Capital Adequacy Reserve | 1,809,000 | 962,000 |
| Target Capital Adequacy Reserve level | 3,367,000 | 3,189,000 |

The target Capital Adequacy Reserve level is affected by the value of assets and liabilities to which risk factors (derived from OSFI guidelines) are applied.

## Reserves

| | December 31, 2014 | December 31, 2013 |
|---|---|---|
| Special reserves | | |
| Contingent Reserve | 2,500 | 2,500 |
| Disaster Reserve | 16,500 | 16,500 |
| Enhancement Reserve | 21,000 | 21,000 |
| | 40,000 | 40,000 |
| Latent Occupational Disease Reserve | 200,000 | 200,000 |
| Earthquake Disaster Reserve | 20,000 | 20,000 |
| Research Reserve | 30,000 | 30,000 |
| Injury Reduction and Return-to-Work Initiatives Reserve | 50,000 | 50,000 |
| General Reserve | 250,000 | 250,000 |
| Capital Adequacy Reserve | 1,809,000 | 962,000 |
| **Total** | **2,399,000** | **1,552,000** |

## Note 12 — Premiums ($ Canadian thousands)

### Accounting policy

Premium revenue primarily consists of statutory employer assessments for workplace injury coverage. Rateable employer premiums are assessed when employers report their insurable earnings for the current premium year. For employers who have not reported, premiums are estimated and any differences between actual and estimated premiums are adjusted when insurable earnings are reported. Self-insured employers' premiums are recognized based on the costs of their employees' claims (see Note 13).

Premium revenue is fully earned and recognized over the coverage period. As a significant portion of premium income for the year relating to rateable employers is not received until after year-end, the amount shown is an estimate based on economic and statistical data (see Note 3). The difference between the estimate and actual income received is credited or charged to income in the following year. Historically, the difference has not been significant.

Reported premium revenue for the current period includes adjustments for premiums from prior periods and penalties on overdue assessments, and is net of Partners program financial incentives.

Partners in Injury and Disability Prevention program

The Partners in Injury and Disability Prevention program is an employer incentive program supporting WorkSafeBC's vision of workers and workplaces that are safe and secure from injury, disease, and death. Through financial incentives, it encourages employers to implement health, safety, and return-to-work management systems. WorkSafeBC recognizes the estimated payments to qualified employers expected to have satisfied the program criteria as at December 31 as a provision. These amounts are recognized as offsets against accrued premiums (see Note 3). The difference between the estimate and actual payments provided to employers is credited or charged to income in the following year. Historically, the difference has not been significant.

Capping of rate changes and amortization of balance

The capping of rate changes represents the effect of WorkSafeBC's policy to limit changes to the rates of any rate group from year to year. Amortization of the balance represents the effect of the planned amortization of the projected unappropriated balance (surplus or deficit, determined on a smoothed basis) of each rate group at the beginning of each year.

### Premium income

| | 2014 | 2013 |
|---|---|---|
| Rateable classes | 1,460,277 | 1,323,736 |
| Partners in Injury and Disability Prevention program financial incentives | (46,344) | (44,418) |
| Capping of rate changes and amortization of balance | | |
| Capping of rate changes | (85,980) | (25,194) |
| Amortization of balance | (5,138) | (47,504) |
| | (91,118) | (72,698) |
| Penalties on overdue assessments | 6,742 | 4,681 |
| Rateable employers | 1,329,557 | 1,211,301 |
| Self-insured employers (Note 13) | 13,833 | 28,583 |
| **Total** | **1,343,390** | **1,239,884** |

## Note 13 — Self-insured employers ($ Canadian thousands)

### Accounting policy

Certain employers are permitted to be self-insured under the *Workers Compensation Act* of British Columbia (the Act). These employers' premiums are billed and the amounts recognized on a monthly basis equal to the benefit payments made for short-term disability, health care, vocational rehabilitation, and for the values of pension reserves for long-term disability and survivor benefits, based on the present value of monthly pension payments over the expected length of the pension. Self-insured employers are also billed for their proportionate share of WorkSafeBC administration costs and other costs where applicable; they earn or are charged interest on the monthly average deposit balance under Section 48 of the Act. Additionally, in those years when investment return on the pension reserve exceeds the minimum required return, the surplus is credited to the employer and applied to reduce claim cost reimbursements. Conversely, the deficit is charged to the employer when investment return is less than the minimum required.

### Premium income — self-insured employers

| | 2014 | 2013 |
|---|---|---|
| Current premium income | 13,833 | 28,583 |
| | 13,833 | 28,583 |
| Claim costs | | |
| Short-term disability | 4,804 | 4,821 |
| Long-term disability | 11,361 | 11,435 |
| Survivor benefits | 2,074 | 2,044 |
| Health care | 2,258 | 8,168 |
| Vocational rehabilitation | 1,917 | 1,779 |
| Latent occupational diseases | (239) | (67) |
| Claim administration | 4,180 | 4,544 |
| | 26,355 | 32,724 |
| Share of special reserves costs | 3,720 | 4,272 |
| Operating costs | 1,907 | 3,031 |
| Other costs (income) | (4) | (407) |
| | 31,978 | 39,620 |
| Less: | | |
| Share of investment income | (18,145) | (11,037) |
| **Total** | **13,833** | **28,583** |

Included in the benefit liabilities is $145,299 (December 31, 2013: $147,506) of provision for unfinalled claims for self-insured employers, and $8,420 (December 31, 2013: $8,659) for the long-latency occupational disease liability. An equivalent amount is included in receivables because these liabilities will be paid by those employers in future years; hence, they do not affect WorkSafeBC's funded position.

## Note 14 — Other income ($ Canadian thousands)

### Accounting policy

Other income includes prevention penalties for workplace safety infractions, third-party litigation fee recoveries, Freedom of Information and disclosure fees, and amounts charged for publications and rentals, along with other incidental revenues. Prevention penalties are recognized when penalties are assessed; other revenues are recognized when services are provided.

### Other income

| | 2014 | 2013 |
|---|---|---|
| Prevention penalties | 7,307 | 1,810 |
| Third-party litigation fee recoveries | 1,444 | 1,111 |
| Miscellaneous income | 1,058 | 1,078 |
| **Total** | **9,809** | **3,999** |

## Note 15 — Prevention and administration costs ($ Canadian thousands)

### Accounting policy

Administration costs include prevention costs, claim administration costs, appellate costs, and general and administrative support costs. Prevention and administration costs are recognized when the goods and services have been received.

Claim administration costs relate to the portion of administration costs incurred to adjudicate claims for compensation, manage claims, and process claim payments. These are allocated to claim costs.

### Prevention and administration costs

| | 2014 | | | | | | |
|---|---|---|---|---|---|---|---|
| | | Administration costs | | | | | |
| | Prevention costs | Customer services | Information technology and facilities | Corporate services | WCAT, Review Division, and advisors | Subtotal | Total |
| Salaries and employee benefits | 52,821 | 145,729 | 32,254 | 75,714 | 12,702 | 266,399 | 319,220 |
| Amortization of capital assets | 2,068 | 9,908 | 12,038 | 2,558 | 770 | 25,274 | 27,342 |
| WCAT and advisors | — | — | — | — | 26,907 | 26,907 | 26,907 |
| Consulting fees | 1,514 | 1,337 | 12,671 | 4,044 | 4 | 18,056 | 19,570 |
| Office expenses and communication | 1,359 | 6,427 | 12,170 | 1,598 | 452 | 20,647 | 22,006 |
| Building expenses | 133 | 306 | 9,991 | 1,890 | 43 | 12,230 | 12,363 |
| Sessional doctor fees | 2 | 6,505 | — | — | 161 | 6,666 | 6,668 |
| Travel and vehicle expenses | 3,049 | 2,339 | 191 | 452 | 13 | 2,995 | 6,044 |
| Other administration expenses | 3,670 | 10,817 | 1,777 | 12,016 | 188 | 24,798 | 28,468 |
| Cost recoveries | (302) | (24,313) | (7,668) | (16,192) | — | (48,173) | (48,475) |
| | 64,314 | 159,055 | 73,424 | 82,080 | 41,240 | 355,799 | 420,113 |
| Less: | | | | | | | |
| Claim administration costs | — | 126,945 | 47,021 | 44,165 | 27,962 | 246,093 | 246,093 |
| **Total** | **64,314** | **32,110** | **26,403** | **37,915** | **13,278** | **109,706** | **174,020** |

## Note 15 — continued

### Prevention and administration costs

2013

| | | Administration costs | | | | | |
|---|---|---|---|---|---|---|---|
| | Prevention costs | Customer services | Information technology and facilities | Corporate services | WCAT, Review Division, and advisors | Subtotal | Total |
| Salaries and employee benefits | 51,063 | 142,339 | 31,275 | 86,818 | 12,020 | 272,452 | 323,515 |
| Amortization of capital assets | 1,668 | 12,473 | 10,045 | 3,046 | 672 | 26,236 | 27,904 |
| WCAT and advisors | — | — | — | — | 27,184 | 27,184 | 27,184 |
| Consulting fees | 1,406 | 2,233 | 10,459 | 3,758 | 4 | 16,454 | 17,860 |
| Office expenses and communication | 1,417 | 5,447 | 11,151 | 1,598 | 389 | 18,585 | 20,002 |
| Building expenses | 89 | 304 | 10,028 | 1,835 | 35 | 12,202 | 12,291 |
| Sessional doctor fees | 1 | 7,483 | — | 1 | 167 | 7,651 | 7,652 |
| Travel and vehicle expenses | 3,149 | 2,278 | 183 | 343 | 20 | 2,824 | 5,973 |
| Other administration expenses | 3,087 | 10,832 | 1,743 | 12,421 | 174 | 25,170 | 28,257 |
| Cost recoveries | (233) | (22,766) | (7,100) | (16,234) | — | (46,100) | (46,333) |
| | 61,647 | 160,623 | 67,784 | 93,586 | 40,665 | 362,658 | 424,305 |
| Less: | | | | | | | |
| Claim administration costs | — | 129,169 | 41,000 | 47,716 | 26,474 | 244,359 | 244,359 |
| **Total** | **61,647** | **31,454** | **26,784** | **45,870** | **14,191** | **118,299** | **179,946** |

## Note 16 — Injury research and reduction initiatives ($ Canadian thousands)

### Accounting policy

WorkSafeBC provides funding to support high-quality, independent, scientific study relating to workplace health and safety, as well as research in the area of workers' compensation. Funding is also provided to entities furthering the education and development of safe workplace practices. These expenses are recognized when the services or deliverable milestones have been performed.

Partners in Injury and Disability Prevention program administration

The Partners in Injury and Disability Prevention program supports WorkSafeBC's vision of workers and workplaces safe and secure from injury, disease and death. Funding is provided to health and safety associations and other industry organizations to administer this financial incentive program.

### Injury research and reduction initiatives

| | 2014 | 2013 |
|---|---|---|
| Injury-reduction initiatives | 5,467 | 6,396 |
| Partners in Injury and Disability Prevention program administration | 5,547 | 5,506 |
| Research grants | 1,407 | 744 |
| **Total** | **12,421** | **12,646** |

## Note 17 — Commitments ($ Canadian thousands)

WorkSafeBC has several operating leases for office space. Renewal options are a feature in some of the lease agreements. As WorkSafeBC may or may not exercise its rights under these options, renewal amounts are excluded from commitments. In 2013, WorkSafeBC also committed to leasing space in a data centre. Future commitments for payments expected to be charged against operating costs for operating leases over the next five years are as follows:

December 31, 2014

| | Office space | Data centre | Total |
|---|---|---|---|
| 2015 | 3,519 | 578 | 4,097 |
| 2016 | 2,809 | 578 | 3,387 |
| 2017 | 2,859 | 578 | 3,437 |
| 2018 | 2,892 | 578 | 3,470 |
| 2019 and beyond | 861 | 2,985 | 3,846 |
| **Total** | **12,940** | **5,297** | **18,237** |

December 31, 2013

| | Office space | Data centre | Total |
|---|---|---|---|
| 2014 | 3,385 | 578 | 3,963 |
| 2015 | 2,314 | 578 | 2,892 |
| 2016 | 2,295 | 578 | 2,873 |
| 2017 | 2,339 | 578 | 2,917 |
| 2018 and beyond | 2,365 | 3,562 | 5,927 |
| **Total** | **12,698** | **5,874** | **18,572** |

Additionally, WorkSafeBC has committed to participating in future funding of investments in private placements, foreign real estate, infrastructure, and renewable resources. Unfunded commitments as at December 31, 2014 were $737,163 (2013: $541,961). A further commitment of up to $500,000 was made in December 2014 to the British Columbia Investment Management Corporation (bcIMC), WorkSafeBC's investment manager, for potential investment opportunities in foreign real estate beginning in 2015. If necessary, units of pooled fund investments will be liquidated to satisfy these funding requirements. Timing of the funding and related investment is uncertain as it is dependent upon appropriate investing opportunities identified by bcIMC.

## Note 18 — Contingencies

### Legal proceedings

At any given time, WorkSafeBC is party to various claims and legal proceedings relating to its operations. Management believes WorkSafeBC has strong defences against these claims and that no financial provisions for them are appropriate or required.

### Indemnification agreements

In the normal course of operations, WorkSafeBC enters into contractual agreements containing standard contract terms which provide that WorkSafeBC shall indemnify certain parties. The potential liability of WorkSafeBC under the terms will vary depending on the wording of the terms and/or the occurrence of contingent or future events, the nature of which prevents WorkSafeBC from making a reasonable estimate of the potential amount that may be payable to those contractual parties. WorkSafeBC also indemnifies its employees and members of its Investment Committee against all claims or proceedings brought against them for any actions performed which the individual believed were within the jurisdiction of WorkSafeBC and in the course of their employment, or performed with reasonable care within the terms of reference of the committee. WorkSafeBC has not made any payments or accrued any amounts in the consolidated financial statements relating to these indemnifications.

## Note 19 — Capital management ($ Canadian thousands)

WorkSafeBC's total capital available or funded position is represented by the sum of the unappropriated surplus, accumulated other comprehensive income, and reserves. When managing capital, WorkSafeBC's objectives are:

- To build up capital to a level that provides a comparable degree of security of worker benefits to that required for private insurers regulated under the federal Office of the Superintendent of Financial Institutions (OSFI). WorkSafeBC has adopted a capital adequacy policy modelled after OSFI guidelines. This policy specifies the criteria under which the Capital Adequacy Reserve (CAR) will be built up or drawn down.

## Note 19 — continued

- To mitigate the risks in the investment portfolio and reduce the volatility of employer premium rates arising from investment in equities. Equity investments are expected to produce higher long-term returns and, thus, lower long-term employer assessment costs, but are subject to market volatility. Strong capital reserves can be drawn upon to limit employer premium-rate volatility arising from such investments.
- To cover reasonable levels of both foreseen and unforeseen plausible events that, even though they occur relatively infrequently, could have a significant financial impact on WorkSafeBC.

These objectives align with WorkSafeBC's strategic objective of ensuring the long-term financial sustainability of the workers' compensation system.

As noted, WorkSafeBC maintains a Capital Adequacy Reserve (CAR) and has set a target level (see Note 11) to achieve the capital management objectives noted above. The following table shows the total assets as a ratio of the target asset requirement level, based on the total liabilities plus the target CAR level and other reserves. The optimum goal is to achieve 100 percent of the target asset requirement (see key performance indicator #8, page 37, for further information on this performance measure).

| | December 31, 2014 | December 31, 2013 |
|---|---|---|
| Total assets | 15,383,867 | 14,471,932 |
| Target asset requirement level | 15,820,215 | 15,393,756 |
| Percent of target assets achieved | 97% | 94% |

## Note 20 — Related party transactions ($ Canadian)

### Government-related entities

WorkSafeBC is accountable to the public through its Board of Directors who are appointed by the British Columbia Minister of Jobs, Tourism and Skills Training and Responsible for Labour. WorkSafeBC is separate and distinct from the Government of B.C., and is not part of the B.C. government reporting entity.

### Key management personnel

(Information presented in this section has not been rounded to the nearest $ thousands.)

Compensation

The following table shows the compensation for WorkSafeBC's key management personnel:

| | 2014 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Salary | Short-term benefits | Hold-back | Other earnings | Pension | Long-service benefits | Total |
| President and CEO | 336,814 | 13,033 | 32,190 | 65,748 | 37,491 | 70,178 | 555,454 |
| Senior Vice-President, HR and Corporate Services | 265,320 | 14,324 | 26,532 | 12,835 | 32,206 | — | 351,217 |
| Senior Vice-President, Finance and IT, and CFO | 265,320 | 15,783 | 26,532 | 10,876 | 31,988 | — | 350,499 |
| Senior Vice-President, Operations | 251,943 | 12,597 | 25,205 | 9,813 | 31,381 | — | 330,939 |
| **Total** | **1,119,397** | **55,737** | **110,459** | **99,272** | **133,066** | **70,178** | **1,588,109** |

## Note 20 — continued

2013

| | Salary | Short-term benefits | Hold-back | Other earnings | Pension | Long-service benefits | Total |
|---|---|---|---|---|---|---|---|
| President and CEO | 349,959 | 17,050 | 35,000 | 11,126 | 42,316 | — | 455,451 |
| Senior Vice-President, HR and Corporate Services | 264,797 | 15,239 | 23,584 | 12,126 | 31,678 | — | 347,424 |
| Senior Vice-President, Finance and IT, and CFO | 264,797 | 15,239 | 23,584 | 12,026 | 31,667 | — | 347,313 |
| Senior Vice-President, Operations | 264,797 | 10,074 | 23,584 | 12,126 | 31,678 | — | 342,259 |
| **Total** | **1,144,350** | **57,602** | **105,752** | **47,404** | **137,339** | **—** | **1,492,447** |

In 2014, both the President and CEO position and the Senior Vice-President, Operations position were held by two different individuals over different periods; for presentation purposes, compensation paid to these individuals has been combined in the table above.

Short-term benefits include medical benefits, dental benefits, group life insurance, accident insurance, and the employer's share of contributions or payments to the Canada Pension Plan (CPP), and Employment Insurance (EI).

Holdbacks are the portion of current reporting period salary payable to incumbents in future periods.

Other earnings include payouts for unused vacation, car allowances, and supplementary executive allowances for reimbursement of medical, dental, and insurance expenses not covered by employee benefit plans.

Pension costs represent the employer's share of contributions or payments to the WorkSafeBC employee pension plan for the reported earnings.

Long-service benefits were paid to the former President and CEO upon his retirement from WorkSafeBC in 2014.

The following tables show total compensation for the WorkSafeBC Board of Directors:

2014

| | Number of individuals | Fees | Statutory benefits | Total |
|---|---|---|---|---|
| Chair, Board of Directors | 1 | $ 37,375 | $ 703 | $ 38,078 |
| Board members | 6 | $129,860 | $5,608 | $135,468 |
| **Total** | **7** | **$167,235** | **$6,311** | **$173,546** |

2013

| | Number of individuals | Fees | Statutory benefits | Total |
|---|---|---|---|---|
| Chair, Board of Directors | 1 | $ 28,250 | $ 673 | $ 28,923 |
| Board members | 6 | $160,750 | $7,750 | $168,500 |
| **Total** | **7** | **$189,000** | **$8,423** | **$197,423** |

## Note 20 — continued

Annual retainers of $15,000 and $7,500 were provided to the Chair of the Board and other Board members respectively. In addition, Board members received $500 per meeting attended, or $250 per meeting attended with duration of less than or equal to four hours. Board members who serve as subcommittee chairs receive an additional annual retainer of $5,000 for Audit Committee and $3,000 for other committees. Statutory benefits consist of WorkSafeBC's share of CPP contributions and EI premiums when compensation is paid to the individual.

### Pension plan

WorkSafeBC has a pension plan which is a related party by virtue of IAS 24 *(Related Party Disclosures)*. See Note 9 for detailed information on pension plan transactions.

**Eckler**

## Actuary's opinion

The liabilities included herein have been computed by WorkSafeBC in accordance with methods and assumptions approved by us. We reviewed the calculations and performed tests to confirm their accuracy and the reasonableness of results. We have also examined the data upon which the calculations were based and found it to be sufficient and reliable for the purpose of the valuation and consistent with WorkSafeBC's financial statements.

The liabilities under pension awards, capitalized values are for pensions in payment, and include the effect of cost-of-living increases granted effective January 1, 2015. They have been computed using the same assumptions used for the valuation as at December 31, 2013. A net interest rate of 4.0 percent was used to discount pensions. This rate makes implicit provision for the future indexing of pensions on the assumption that investment earnings on WorkSafeBC's assets will exceed increases in the Consumer Price Index (CPI) by 3.0 percent per year, over the long-term, and that indexing will be provided at CPI minus 1.0 percent. The mortality rates used make allowance for future mortality improvements. In addition, the liabilities have been adjusted to reflect the anticipated improvements since 2012, the last time the mortality rates were reviewed.

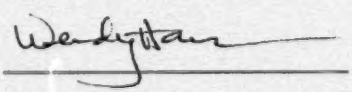
The provision for unfinalled claims represents the liabilities for future claims costs in respect of injuries which occurred during 2014 and prior years, including future pensions other than those already in payment, and future claim administration expenses. It is based on projections of future claim payments and awards using ratios developed from WorkSafeBC's claims experience, average benefit rates, net discount rates reflecting the real rate of return above and, where applicable, the mortality and other assumptions used for computing pension liabilities (including an adjustment for anticipated mortality improvements since 2012). The health care liability is calculated assuming that health care costs will increase at the same rate as investment returns, resulting in a net discount rate for this liability of 0 percent.

The methods used in calculating the above mentioned liabilities were substantially the same as those employed in the previous valuation as at December 31, 2013.

The latent occupational disease liability is for future benefit payments on occupational disease claims that will be diagnosed in the future, but for which some exposure to disease-causing agents has already occurred. The estimated future benefits are discounted to the valuation date and are adjusted to reflect the estimated portion of the total latency period exposure which has already transpired.

In our opinion, the data are sufficient and reliable for the purposes of the valuation, the assumptions made and the methods used are appropriate for the purposes of the valuation. In our opinion, the resulting amounts set out below make reasonable provision, as at December 31, 2014, for the future benefit and claims administration expenditures of WorkSafeBC in respect of injuries to December 31, 2014. Our review has been carried out, and our opinions given, in accordance with accepted actuarial practice in Canada.

| **($ thousands)** | **Pension awards, capitalized values** | **Provision for unfinalled claims** | **Latent occupational disease** | **Total** |
|---|---|---|---|---|
| Benefit liabilities: | | | | |
| Short-term disability | — | 321,432 | — | 321,432 |
| Long-term disability | 4,403,171 | 1,811,410 | — | 6,214,581 |
| Survivor benefits | 839,538 | 105,258 | — | 944,796 |
| Health care | — | 2,537,212 | — | 2,537,212 |
| Vocational rehabilitation | — | 305,596 | — | 305,596 |
| Claim administration | — | 712,462 | — | 712,462 |
| Latent occupational disease | — | — | 349,842 | 349,842 |
| | **5,242,709** | **5,793,370** | **349,842** | **11,385,921** |

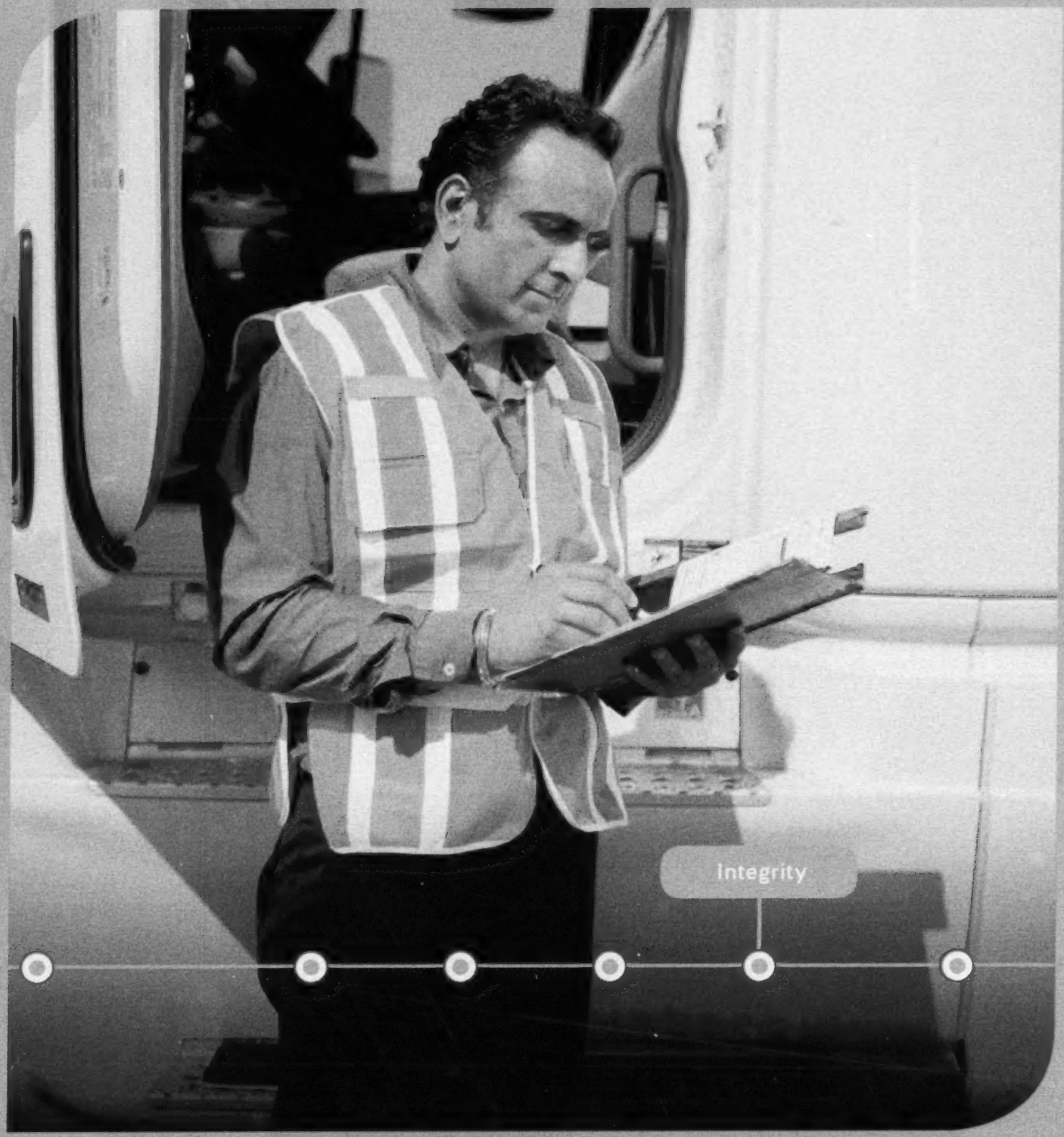


Richard A. Border, FIA, FCIA

Wendy F. Harrison, FSA, FCIA

Actuaries with the firm of Eckler Ltd.

April 15, 2015




# Appendix and Notes

# Appendix A: Comparing Results with Other Jurisdictions

Each workers' compensation organization in Canada is subject to a distinct set of legal requirements, policies, and operating issues, so it is difficult to make direct comparisons between WorkSafeBC's performance and that of other jurisdictions.

To enable performance comparisons, the Association of Workers' Compensation Boards of Canada (AWCBC) compiles a set of standardized financial and statistical indicators. These indicators are compiled (unaudited) using data collected from all Canadian jurisdictions, including WorkSafeBC. Most of these indicators are not directly comparable with the 10 key performance indicators used by WorkSafeBC; however, in some cases our performance can be approximately compared to that of other workers' compensation organizations. All comparisons are made using 2013 data — the most current information available at the time of publication.

## Key objective #1: Reduce the provincial injury rate

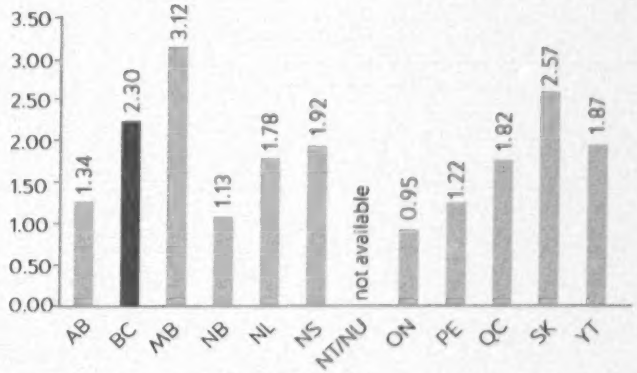
**2014 target:** 2.50 or less claims first accepted per 100 person-years of employment

**2014 result:** 2.28 claims first accepted per 100 person-years of employment (see page 24)

**2015–2017 targets:** 2.40 or less, 2.40 or less, 2.40 or less

**Related comparison:** The AWCBC publishes an annual, province-by-province comparison of injury frequency using a standardized calculation. However, injury frequency cannot be directly compared between provinces because injury rates are influenced by the industries present in each jurisdiction. The following chart reflects the relative injury frequency for all provinces, as published in April 2015 (based on 2013 source data).

**Injury frequency**
**(per 100 workers of assessable employers)**




Source: AWCBC Key Statistical Measures 2013

## Key objective #2: Improve return-to-work outcomes

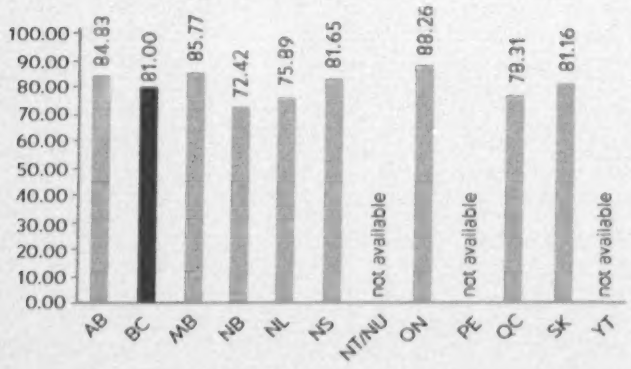
**2014 target:** 81.0 percent of workers returning to work by 26 weeks

**2014 result:** 81.5 percent (see page 27)

**2015–2017 targets:** 81.0 percent, 81.0 percent, 81.0 percent

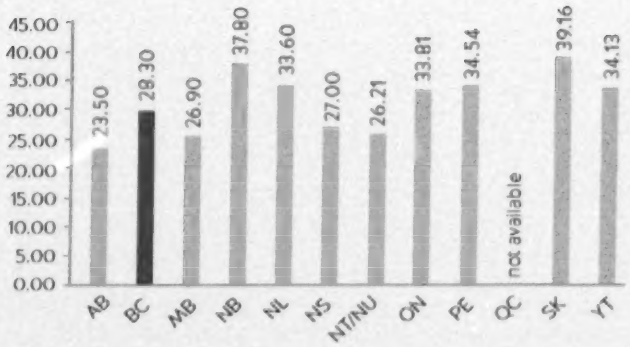
**Related comparison:** The AWCBC publishes an annual, provincial/territorial comparison of claim duration using a standardized calculation to measure how soon injured workers leave the wage-loss compensation system permanently. While not fully equivalent with the WorkSafeBC KPI #2 measurement of return-to-work outcomes, the AWCBC measurement of the percentage of new lost-time claims that have received their last day of wage-loss benefits 120 days after the injury provides a comparable measure. The following chart provides the most current data available.

**Percentage of wage-loss claims off compensation at 120 days**




Source: AWCBC Key Statistical Measures 2013

**Average calendar days from injury to first payment issued**




Source: AWCBC Key Statistical Measures 2013

## Key objective #3: Improve return-to-work outcomes for workers in vocational rehabilitation

**Related comparison:** No comparable data is available.

## Key objective #4: Improve timeliness of initial short-term disability payments

**2014 target:** 18.0 days

**2014 result:** 18.4 days (see page 30)

**2015–2017 targets:** 18.0 days, 17.5 days, 17.0 days

**Related comparison:** The AWCBC publishes an annual province-by-province comparison of the timeliness of initial short-term disability payments using a standardized calculation that is slightly different from WorkSafeBC's method of calculation. The chart that follows reflects the average number of calendar days starting from the date of injury to the date of first payment, as published in April 2015 (based on 2013 source data).

## Key objective #5: Improve injured workers' rating of overall experience

**Related comparison:** No comparable data is available.

## Key objective #6: Improve employers' rating of overall experience

**Related comparison:** No comparable data is available.

## Key objective #7: Raise public confidence

**2014 target:** 90 percent or more

**2014 result:** 91 percent (see page 36)

**2015–2017 targets:** 90 percent, 90 percent, 90 percent

**Related comparison:** To track public confidence, WorkSafeBC hires a third party to survey B.C. residents multiple times a year. Respondents are asked if WorkSafeBC makes a positive or negative contribution to the province. The major indicator of WorkSafeBC's success is the degree to which British Columbians think the organization makes a positive contribution to the province. As with all surveys, sample size, respondent variation, and issues prevalent in the news media can influence results.

No other workers' compensation system in Canada reports on its ability to raise public confidence, nor uses a similar indicator to determine its reputation with the communities it serves. Several provincial public and

private organizations have conducted surveys similar to those carried out on behalf of WorkSafeBC; however, these results are no longer available to the public. Nonetheless, similar survey results are in a range from a high of 95 percent to a low of 55 percent among participating groups.

## Key objective #8: Achieve 100 percent of the target asset level

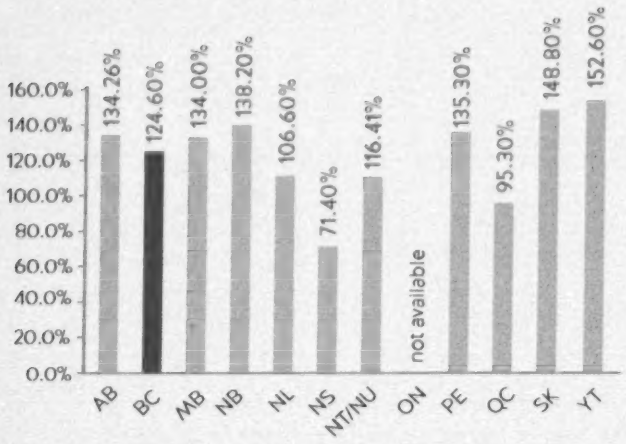
**2014 target:** 92 percent

**2014 result:** 97 percent (see page 37)

**2015–2017 targets:** 93 percent, 91 percent, 89 percent

**Related comparison:** For the purposes of comparison with other provinces and territories in Canada, the only other metric of funding adequacy that is available, and used by the AWCBC, is total assets divided by total liabilities. The following chart shows the average funding level of each provincial and territorial workers' compensation system, published in April 2015, stated in terms of its market value and based on year-end 2013 data.

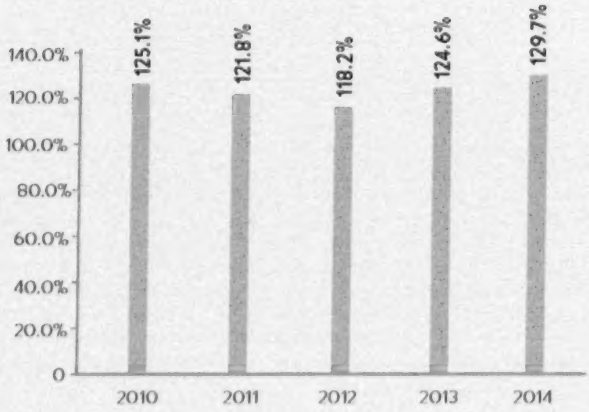
### Total assets over total liabilities (provinces and territories)




Source: AWCBC Key Statistical Measures 2013

WorkSafeBC's funding level is also shown for comparative purposes. In comparing the two measures of funding sufficiency — achieve 100 percent of the target asset level versus assets over liabilities — 97 percent achievement against the target asset level equates to 129.7 percent asset coverage over liabilities, because WorkSafeBC aims to have more assets than liabilities, in the form of various reserves, (see Note 11 of the consolidated financial statements, page 110).

### Total assets over total liabilities (WorkSafeBC)




## Key objective #9: Control administration costs (per $100 of assessable payroll)

**2014 target:** $0.51

**2014 result:** $0.49

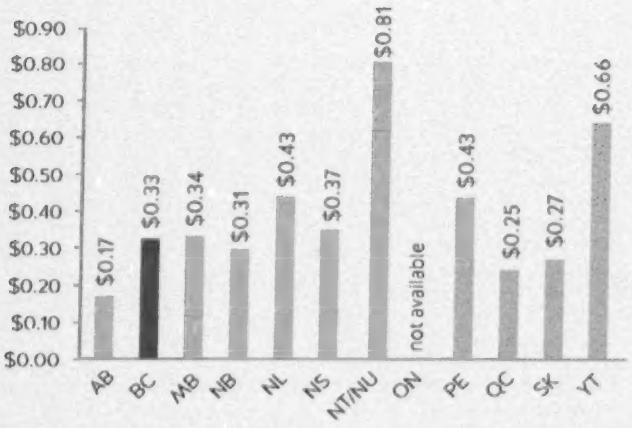
**2015–2017 targets:** $0.52, $0.50, $0.48

**Related comparison:** The Association of Workers' Compensation Boards of Canada (AWCBC) calculates administration costs per $100 of assessable employer payroll according to a standardized formula.

As described in key performance indicator #9, page 39, WorkSafeBC's indicator measuring the control of administration costs changed in 2014. Instead of using the AWCBC definition,[47] we applied a total cost basis that excluded only the administration costs for self-insured employers. This resulting change provides a more representative measure of our total administration costs than the AWCBC measure, which only includes administration costs related to services found in all Canadian jurisdictions.

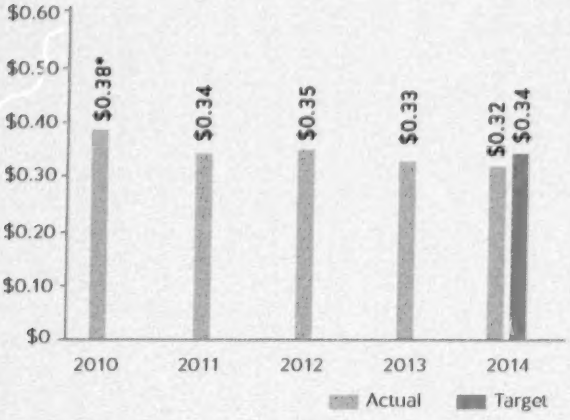
For the purpose of comparing our results with those of other provinces and territories, the most useful metric is the AWCBC administration cost measure; it calculates the administration costs per $100 of assessable employer payroll based on a standardized formula. The following chart shows the AWCBC administration costs per $100 of assessable employer payroll for each province and territory as published in April 2015 (based on year-end 2013 data).

**Administration costs per $100 of assessable payroll**




Source: AWCBC Key Statistical Measures 2013

For the purpose of year-over-year comparison, the following chart shows WorkSafeBC's administration costs (AWCBC definition) per $100 of assessable payroll.




* 2010 actual and 2014 target administration costs per $100 of assessable payroll are both $0.01 higher than figures published in the *2013 Annual Report and 2014–2016 Service Plan*, due to revised self-insured percentages.

This ratio's improvement in 2014 compared to the 2013 result was caused predominantly by a 3.6 percent ($2.9 billion) increase in the province's assessable payroll, an indicator of B.C.'s growing workforce and economic growth. When compared to the $0.34 target for 2014, the improved, actual $0.32 result is due to lower-than-projected administration costs.

## Key objective #10: Improve decision making throughout WorkSafeBC, ensuring consistency with legislation and policy

**Related comparison:** No comparable data is available.

# Senior Executive

**Diana Miles**
President and Chief Executive Officer

**Brian Erickson**
Senior Vice-President, Finance/IT
and Chief Financial Officer

**Al Johnson**
Vice-President, Prevention Services

**Ian Munroe**
Vice-President, Employer, Industry,
and Worker Services

**Ian Shaw**
General Counsel and Secretary to WorkSafeBC

**Trevor Alexander**
Senior Vice-President, Operations

**Roberta Ellis**
Senior Vice-President, Corporate Services
and Human Resources

**Todd MacDonald**
Vice-President, Claims Services

**Kevin La Freniere**
Vice-President, Business Analysis,
Corporate Communications, and Marketing

### Online viewing

For an electronic copy of this report, visit our website at worksafebc.com.

### Feedback

To comment on WorkSafeBC's *2014 Annual Report and 2015–2017 Service Plan*, contact Terence Little, Director of Corporate Communications, at 604.276.7666, or email terence.little@worksafebc.com.

# Endnotes

1. The provincial injury rate is calculated according to the Association of Workers' Compensation Boards of Canada's definition of the term (see Appendix A, page 122). Wage-loss injuries, work-related death claims (cases involving funeral expenses and/or survivor benefits), and long-term disability claims occurring in 2014 that were first paid that year (or anticipated to be initially paid in the first quarter of 2015) are counted and expressed as a ratio to 100 person-years of employment. Injuries arising from and employment related to deposit-class employers are excluded from this calculation. A person-year is the equivalent of one person working all year on either a part- or full-time basis. Estimates for person-years are based on gross payrolls submitted by employers, as well as matching wage-rate data.
2. The Accident Fund provides for the payment of compensation, outlays, and expenses referred to in Section 36 of the *Workers Compensation Act*. It is made up of the portfolio of investments and other WorkSafeBC assets.
3. In accordance with the *Workers Compensation Act*, the annual report and service plan must be provided each year to the minister by March 25 and March 31, respectively. A request for legislative change has been submitted to the Ministry of Jobs, Tourism and Skills Training and Responsible for Labour to amend delivery dates for both reports to April 30. This extension is necessary to comply with the International Financial Reporting Standards requirement that financial instruments be reported at fair market value; for some instruments, fair market value cannot be obtained until the end of March in a given year.
4. For priorities, goals, and operational objectives as defined by the strategic plan, see page 22.
5. For further information regarding this regulation, visit www.worksafebc.com/regulation_and_policy/public_hearings/assets/pdf/2014OHSAmendmentsFeedback/Amendments/Part34.pdf.
6. Smoothed accounting recognizes investment income at the required rate of return (based on the inflation rate plus the 3.0 percent discount rate used to calculate liabilities) plus the amortization, over a five-year period, of the difference between the actual and required return on investments. The smoothed-basis investment income is adjusted, if necessary, to ensure the smoothed value of assets is between 90 and 110 percent of the market value of assets. Effective January 1, 2014, for rate-setting purposes, WorkSafeBC's Board of Directors approved a change in the investment-smoothing methodology. This change was made to align with the smoothing methods outlined in the Canadian Institute of Actuaries education note, *Guidance on Asset Valuation Methods* for pension plans. Smoothed accounting amortizes actuarial gains or losses, relating to WorkSafeBC's employee benefit plan assets and liabilities, on a straight-line basis over a five-year period.
7. See endnote 2.
8. While the information included in this annual report reflects the organization's actual performance from January 1, 2014 through December 31, 2014, all material fiscal assumptions and policy decisions made to April 16, 2015 have been considered in developing this publication.
9. With the exception of KPI #2 (introduced in 2011) and KPI #8 (introduced in 2008), the 10 KPIs selected for this year's annual report and service plan have been used since 2003, though some definitions and calculations have changed over time.
10. For 2014, the number of key performance indicators (KPIs) has been changed from 11 to 10. Discussion for "Attain an aggregate premium rate between $1.15 and $2.25," previously KPI #9, has been relocated to pages 52-53 of the Management Discussion and Analysis section. This list of KPIs has been renumbered to reflect this change.
11. See endnote 1.
12. See endnote 1.
13. A reduction in the injury rate of just 1.0 percent (from 2.32 to 2.30, for example) results in approximately 500 fewer workers suffering wage-loss injuries. In turn, this translates into a reduction of approximately $10.2 million in claim costs and a gain of 26,900 productive workdays for B.C.'s economy.
14. This measure helps WorkSafeBC identify and focus prevention activities on those industries and risks most likely to severely harm workers. Over time, applying a serious injury rate may help an organization identify new risks and assess the effectiveness of its safety programs or initiatives. For more information on the serious injury rate, consult *WorkSafeBC Statistics 2014*, available at worksafebc.com.
15. Fifty or more lost workdays.
16. Starting in 2015, the methodology to calculate deaths identified as work-related will be amended. The new calculation will account for work-related deaths in the year they occur. In the current method, work-related deaths are counted in the year they are first-paid.
17. WorkSafeBC uses *International Classification of Diseases, Ninth revision* (ICD-9) to categorize specified injury or disease types.
18. See endnote 17.
19. See endnote 16.

20. WorkSafeBC reviews historical incidents and claim statistics from all industry sectors in B.C., identifying industries with significant exposures and greater risk of injuries and fatalities.
21. The agriculture, fishing, forestry, and oil and gas industries are categorized as the Primary Resources sector. The health care industry is included in the Public sector. A complete list of sectors can be found in *WorkSafeBC Statistics 2014*, available at worksafebc.com.
22. Canada Wood defines oriented strand board, also known as OSB, as "an engineered wood product formed by layering strands (flakes) of wood in specific orientations." Web reference: http://canadawood.org/pro_osb.php.
23. Prior to 2013, KPI #2, "Improve return-to-work outcomes," measured the percentage of workers returning to work within 26 weeks from the date they were first off work due to injury out of the count of time-loss claims concluded in the same period. Whether the claim is open or closed, this KPI's refined methodology now includes the most recent outcome of any claim and those within the calendar year greater than 26 weeks. Prior-year results have not been restated.
24. The 26-week milestone was chosen for several reasons: it is recognized by workers' compensation boards across Canada as a key marker; the Association of Workers' Compensation Boards of Canada (AWCBC) uses 180 days (26 weeks) return to work as a key statistical measure; and in Medical Recovery Guidelines (such as MDGuidelines), the majority of injuries show recovery before six months. This milestone also enables us to monitor the outcomes of early intervention initiatives designed primarily to aid workers in returning to the same pre-incident workplace and employer; we have determined the 26-week window offers the greatest potential for our claim management teams to ensure durable return to work.
25. The Three Pillars of Case Management are made-up of a focus on proactive return-to-work planning, building trusting relationships, and delivering quality adjudication. These Three Pillars are further supported by 15 case management best practices in developing an effective and individualized return-to-work and recovery plan for injured workers.
26. Timeliness of initial short-term disability payments: the 18.4-day timeliness statistic represents 75 percent of injured workers receiving payments directly from WorkSafeBC (timeliness of 24.5 days) and 25 percent of injured workers who continue to be paid by their employers (experienced timeliness of 0 days).
27. In 2014, WorkSafeBC surveyed 250 employers in April, and another 400 each in June, September, and November. Respectively, surveys scores were 82, 81, 82, and 83. Our initial intent for 2014 was survey 400 employers in each quarter. For completed surveys in April 2014, we reduced the total number for the period to 250. This action was to limit the possible bias from the high-profile sawmill investigation results being reported in the same period. As our survey is designed to measure service, our external market research provider, Ipsos, understood our caution and supported our decision. We subsequently found no effect of bias.
28. Environmental factors that could result in increased costs include potential legislative changes, judicial reviews, class action lawsuits, and earthquakes, among others.
29. The measure of funding adequacy used by the Association of Workers' Compensation Boards of Canada (AWCBC) is total assets over total liabilities (see Appendix A, page 124). For example, in 2014, actual assets were $15,384 million, which represents 130 percent of the liabilities of $11,863 million, but 97 percent of the current target asset level of $15,820 million.
30. WorkSafeBC determines the target level of the Capital Adequacy Reserve (CAR) using an approach comparable to that prescribed for private insurers by the Office of the Superintendent of Financial Institutions (OSFI). This approach determines the minimum capital requirement by considering the insurer's risk profile. OSFI requires that private insurers maintain levels of at least 150 percent of the minimum capital requirement. By resolution in 2013, using OSFI methodology, WorkSafeBC's Board of Directors set the target capital requirement (equal to the target level of the CAR plus the actual level of the other non-CAR reserves) at 150 percent of the minimum capital requirement level.
31. See endnote 30.
32. Under the *Workers Compensation Act*, short-term disability, long-term disability, and survivor benefits are indexed against the annual increase in the consumer price index (CPI), as measured by the year-over-year CPI at October each year. These benefits are indexed to inflation at CPI growth less 1.0 percent, with a maximum of 4.0 percent and a minimum of 0. Inflation adjustments applied to benefit rates were 0.0 percent at January 1, 2014 (0.7 percent CPI growth) and 1.4 percent at January 1, 2015 (2.4 percent CPI growth less 1.0 percent).
33. For 2014, the KPI detailing control administration costs has been renumbered to KPI #9. For comparison purposes, in previous reports, see KPI #10: Control administration costs.
34. In accordance with the AWCBC's calculation method, administration costs are adjusted for operating and legislative differences; they do not include costs associated with prevention, treasury investment, third-party recoveries and related legal expenses, grants, external appeals, workers' and employers' advisors, sessional physicians, external medical service providers, and costs related to self-insured employers — all listed as costs excluded per the AWCBC's definition. Due to interjurisdictional differences, Review Division (internal appeals) costs are also excluded.
35. Ministry of Finance estimates of B.C.'s labour income for 2015 through 2017, as published in *B.C.'s Budget and Fiscal Plan 2015/16–2017/18*, were used to project future payrolls.
36. For 2014, the KPI detailing "Improve decision making throughout WorkSafeBC, ensuring consistency with legislation and policy" has been renumbered to KPI #10. For comparison purposes, in previous reports see KPI #11: Improve decision making throughout WorkSafeBC, ensuring consistency with legislation and policy.

37. Emissions from paper have been on a downward trend since we began auditing them in 2007. The increase in emissions in 2014 over 2013 largely reflects changes to our printing methods. Late in 2013, we began printing in-house some of the materials previously printed externally. This external printing was not included in our prior emission totals.
38. The SMARTTool load history report for fleet data is based on billing dates rather than purchase dates; therefore the 2014 total includes purchases from 2013 that were billed in 2014 and excludes purchases made in 2014 that were billed in 2015.
39. For premium rate-setting purposes, WorkSafeBC uses a smoothed accounting approach — investment returns and actuarial gains or losses relating to employee benefit plans are amortized over a five-year period. This accounting approach moderates the effect of capital market volatility on financial results and premium rates. See the Financial Context section, page 14, for further information.
40. Self-insured employers are sometimes referred to as deposit account employers. These employers do not pay premiums based on assessable payroll; rather, they are required to pay WorkSafeBC the cost of all compensation benefits distributed to their workers plus a share of the administration and other costs. They are required to maintain a deposit balance in their accounts from which amounts for claim costs and administration are drawn monthly. These employers include the provincial government and certain other companies.
41. The 2014 target aggregate premium rate published in the *2013 Annual Report and 2014-2016 Service Plan,* under the former KPI #9 "Attain an aggregate premium rate between $1.15 and $2.25," was $1.63.
42. The inflation-sensitive category includes asset classes with valuations affected by the inflation rate over the long term, such as real estate and real-return bonds. Refer to Note 4 of the consolidated financial statements for more detail.
43. Effective July 2013, the investment policy asset allocation targets were set at 25 percent fixed-income (allowable range 20–35 percent), 43 percent equity (allowable range 35–50 percent), and 32 percent inflation-sensitive (allowable range 20–40 percent). The investment policy also allows for investment in other asset classes (allowable range 0–5 percent).
44. WorkSafeBC's investments are expected to produce a long-term average real return of 3.0 percent (equal to the discount rate used to calculate liabilities) over and above the inflation rate [as measured by the annual increase in the consumer price index (CPI); i.e., the required return is CPI growth plus 3.0 percent. The long-term objective of WorkSafeBC's Investment Committee is to earn a real rate of return of 3.5 percent, slightly higher than the 3.0 percent discount rate used to calculate liabilities.
45. The Capital Adequacy Reserve was originally called the Investment Fluctuation Reserve when it was created in 2005. It was subsequently renamed in 2007.
46. See endnote 39.
47. See endnote 34.

# Workplace health and safety is everyone's responsibility

All workers are entitled to perform their work duties in safe and healthy work environments where hazards are minimized and controlled. The key to maintaining a safe and healthy workplace lies in joint action that involves everyone — employers, workers, supervisors, and other stakeholders — working together to fulfill their responsibilities and mitigate the risk of injury, disease, and death.

## Employer responsibilities

- Provide a safe and healthy workplace
- Ensure that workers are adequately trained. Keep written records of training
- Establish and maintain a comprehensive occupational health and safety program, including a written health and safety policy and an incident investigation procedure
- Support supervisors, safety coordinators, and workers in their health and safety activities
- Take action immediately when a worker or supervisor tells you about a potentially hazardous situation
- Initiate an immediate investigation into incidents, and immediately report serious incidents to WorkSafeBC
- Provide adequate first aid facilities and services
- Provide personal protective equipment as required

## Supervisor responsibilities

- Instruct workers in safe work procedures
- Train workers for all tasks assigned to them, and check that their work is being done safely
- Ensure that only authorized, adequately trained workers operate tools and equipment or use hazardous chemicals
- Ensure that equipment and materials are properly handled, stored, and maintained
- Enforce health and safety requirements, and correct unsafe acts and conditions
- Identify workers with problems that could affect safety at the worksite
- Follow up with interviews and referrals where necessary
- Develop appropriate health and safety rules and inspect the workplace for hazards

## Worker responsibilities

- Know and follow health and safety requirements affecting your job
- Use all personal protective equipment when and where required
- Don't assume you can do work you've never done before. Ask your employer for training so you know how to do it safely before you begin
- Always work safely and encourage your co-workers to do the same
- Immediately correct unsafe conditions or report them right away to your employer
- Immediately report any injury to a first aid attendant or supervisor
- If you have any doubts about your safety, talk to your employer. Take the initiative — make suggestions to improve health and safety at work

## Worker rights

- Know about workplace hazards
- Participate in workplace health and safety activities
- Refuse unsafe work

## For more information

If you have questions about workplace health and safety issues, call the Prevention Information Line at 604.276.3100 or toll-free within B.C. at 1.888.621.7233, or visit worksafebc.com and follow the link to Safety at Work, where you'll find resources that can be downloaded free of charge. You can also purchase safety publications and DVDs at www.worksafebcstore.com.